

**CONTINUATION OF AUTHORITY FOR REGULATION OF EXPORTS  
AND AMENDING THE EXPORT CONTROL ACT OF 1949**

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**HEARINGS**  
**BEFORE THE**  
**COMMITTEE ON BANKING AND CURRENCY**  
**AND THE**  
**SUBCOMMITTEE ON INTERNATIONAL TRADE**  
**OF THE**  
**COMMITTEE ON BANKING AND CURRENCY**  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-NINTH CONGRESS**

**FIRST SESSION**

**ON**

**H.R. 7105**

**A BILL TO PROVIDE FOR CONTINUATION OF AUTHORITY  
FOR REGULATION OF EXPORTS, AND FOR  
OTHER PURPOSES**

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**H.R. 627 and H.R. 4361**

**(AND SIMILAR BILLS)**

**TO AMEND THE EXPORT CONTROL ACT OF 1949**

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**MAY 5, 13, 20, AND 21, 1965**

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**Printed for the use of the Committee on Banking and Currency**



**U.S. GOVERNMENT PRINTING OFFICE**  
**WASHINGTON : 1965**

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Committee on Banking and Currency

May 5, 1965

**CONTINUATION OF AUTHORITY FOR REGULATION  
OF EXPORTS**

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## CONTINUATION OF AUTHORITY FOR REGULATION OF EXPORTS

WEDNESDAY, MAY 5, 1965

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Barrett, Ashley, Stephens, St Germain, Minish, Weltner, Hanna, Grabowski, Gettys, Todd, Ottinger, Cabell, McGrath, Hansen, Annunzio, Widnall, Fino, Mrs. Dwyer, Halpern, Brock, Talcott, Clawson, Johnson, Stanton, and Mize.

The CHAIRMAN. The committee will please come to order.

Today we are hearing the testimony of the Secretary of Commerce, the Honorable John T. Connor, on H.R. 7105, a bill to extend indefinitely the Export Control Act of 1949 now scheduled to expire on June 30, 1965. This bill would also provide for the imposition of a new civil penalty for certain violations of the act.

The act authorizes the President to control American exports to the extent necessary to protect the domestic economy, further our foreign policies, and safeguard our national security. It is my understanding that few, if any, of our commodities are in short supply, so the main objectives of export controls today and probably for the foreseeable future are national security and foreign policy. It is no exaggeration to say that the Export Control Act is a most important weapon in this Nation's cold war arsenal. We must not allow our strategic materials, equipment, supplies, and technical data to fall into the hands of those who would subvert our system of free enterprise and our personal liberties.

Authority to administer and enforce export controls is expressly vested by the act in the President who, in turn, has delegated this responsibility to the Secretary of Commerce. And it is under that delegated power that the Department issues the rules, regulations, licenses, and orders pursuant to which the act is administered. This act was first approved in 1949 for a 2-year period and extended every 2 years except in 1953 and in 1962 when it was extended for 3 years. (H.R. 7105 follows:)

[H.R. 7105, 89th Cong., 1st sess.]

A BILL To provide for continuation of authority for regulation of exports, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 12 of the Export Control Act of 1949, as amended, is repealed.

SEC. 2. Section 5 of the Export Control Act of 1949, as amended, is amended by adding at the end thereof subsections (c), (d), and (e), as follows:

"(c) The head of any department or agency exercising any functions under this Act (and officers or employees of such department or agency specifically designated by the head thereof) may impose a civil penalty not to exceed \$1,000 for each violation of this Act or any regulation, order, or license issued hereunder, either in addition to or in lieu of any other liability or penalty which may be imposed.

"(d) The head of any department or agency exercising any functions under this Act (and officers or employees of such department or agency specifically designated by the head thereof) may compromise and settle any administrative proceeding commenced with respect to any violation of this Act or any regulation, order, or license issued hereunder, upon payment of a sum not to exceed \$1,000 for each such violation.

"(e) The amount of any penalty imposed or sum to be paid in compromise and settlement pursuant to subsections (c) and (d) of this section shall be payable into the Treasury of the United States and shall be recoverable in a civil suit in the name of the United States. Nothing contained in those subsections shall be construed to limit in any way (i) the availability of other administrative remedies with respect to violations of this Act or any regulation, order, or license issued hereunder, (ii) the authority to compromise and settle administrative proceedings brought with respect to violations of this Act or any regulation, order, or license issued hereunder on terms which do not require the payment of money, or (iii) the authority to compromise, remit, or mitigate seizures and forfeitures pursuant to the Act of August 13, 1953 (67 Stat. 577)."

The CHAIRMAN. Mr. Connor, we are glad to have you, sir, and I believe you have a prepared statement. You may insert it in the record at this point if you desire and make a statement, you may read it, or you may proceed as you desire, sir.

**STATEMENT OF HON. JOHN T. CONNOR, SECRETARY OF COMMERCE;  
ACCOMPANIED BY F. D. HOCKERSMITH, DIRECTOR, OFFICE OF  
EXPORT CONTROL; THEODORE L. THAU, EXECUTIVE SECRETARY,  
ADVISORY COMMITTEE ON EXPORT POLICY; AND DEAN B. LEWIS,  
DEPUTY GENERAL COUNSEL**

Secretary CONNOR. Thank you very much, Mr. Chairman. I think I will read the statement because I looked it over to see if we could boil it down further and it just doesn't seem possible. It is a complicated subject.

The CHAIRMAN. All right.

Secretary CONNOR. I have with me Mr. Forrest D. Hockersmith who is the Director of the Office of Export Control, Mr. Theodore L. Thau, Executive Secretary, Advisory Committee on Export Control, and Mr. Dean B. Lewis, the Deputy General Counsel of the Department who may be needed in the questioning.

The CHAIRMAN. We are glad to have these gentlemen accompany you, sir.

Secretary CONNOR. Thank you very much.

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you in support of H.R. 7105, a bill to further extend and amend the Export Control Act.

The Export Control Act provides a broad and flexible authority to control exports of all kinds of materials, equipment, commodities and technical data from the United States. We use it today primarily for national security and foreign policy purposes, to restrict exports—and reexports—that would make a significant contribution to the military

## REGULATION OF EXPORTS

or economic potential of unfriendly countries, there such export or reexport would prove detrimental to our national security and welfare. The authority is also available to restrict export of materials that are in short supply.

In one form or another, this broad authority over exports has been with us now for some 25 years. I believe we should continue to have this authority. It is flexible enough to be adaptable to any improvement in the international political environment. At the same time it provides necessary standby authority for any tightening of controls that might seem necessary. I also feel it would be appropriate to extend the act indefinitely, rather than for a few years as has been the pattern in the past. I see little likelihood that it will soon become unnecessary or undesirable to have this authority on the books. At the same time, there would be some advantage, in terms of day-to-day administration of the act, if it were extended indefinitely. For example, it would tend to lessen any doubt our NATO allies—most of whom have permanent laws on the subject—may feel about whether this country will or will not continue to participate in the multilateral control of strategic goods and technology to the East European and Asiatic Communist countries. Nor is it necessary to have the act regularly come up for renewal every 1, 2, or 3 years in order to facilitate congressional review of the export control program. As you know, we report to the Congress quarterly on our administration of the act, and of course we stand ready at any time to furnish the Congress, and in particular, this committee, with further information concerning the administration and enforcement of the act. For these reasons H.R. 7105 provides for indefinite extension of the Export Control Act, and I believe that on balance this is desirable.

H.R. 7105 also amends the enforcement authority contained in the Export Control Act. Specifically it would authorize the Department to impose civil penalties, amounting to not more than \$1,000 for each violation, in addition to or in place of other civil or criminal penalties or liabilities which may be imposed for violations of the Export Control Act.

The amendment would also allow administrative proceedings, brought to deter and prevent violations of the act, to be compromised and settled on payment of not more than \$1,000 for each violation. Penalties imposed and sums paid in settlement would be payable into the Treasury.

This amendment will add some much-needed flexibility to the enforcement of the act, by enabling us to impose an appropriate monetary sanction in certain types of cases for which existing sanctions are not well suited. The present criminal penalties of fine and imprisonment are naturally most useful for cases involving serious violations. The present law, 22 U.S.C. 401, which permits the seizure and forfeiture of shipments being made in violation of the Export Control Act is not useful if the goods have already left the United States; nor is it appropriate when the penalty of seizure and forfeiture will fall on an innocent owner of the goods, rather than on the wrongdoer. Again, while administrative proceedings to suspend or deny export privileges are frequently useful, and for some years have been used, to deal with both willful and negligent offenses committed by American and foreign violators, they are not always appropriate. Experience has

shown, for example, that even an order providing only for a temporary short-term suspension of export privileges may sometimes seriously jeopardize a firm's continuation in business, or subject it to losses which greatly exceed what would have been considered an appropriate deterrent.

These risks have tended to discourage our use of this administrative sanction for minor repeated offenses, such as are sometimes committed by freight forwarders and carriers in the course of handling a large volume of business. Without any other sanction we are left to handle such cases with only warning letters, whose force naturally diminishes with repetition. The proposed penalty amendment would provide us with a more flexible and effective deterrent in these and other appropriate kinds of cases.

Aside from extending the duration of the Export Control Act, and expanding the enforcement authority, I do not believe it is necessary to ask for any further amendment of the act.

Perhaps it would be useful, however, for me to explain briefly how the Export Control Act is now being administered. This subject is more fully dealt with in our 70th quarterly report—for the fourth quarter of 1964—which also gives the highlights of our activities for all of 1964. Copies of this report have been furnished to the committee. Our report for the first quarter of 1965 is at the printer and will, I hope, be available to you shortly.

As I have indicated, we control exports of commodities and technical data for three main purposes—to safeguard our national security, to further our foreign policies, and, when necessary, to prevent excessive exports of items in short supply. Currently, there are no items under export control for "short supply" reasons.

To carry out the national security and foreign policy objectives of the act, as well as the policy to exercise our controls to the maximum extent possible in cooperation with other friendly countries, we are continuing what is now a 15-year-old arrangement with the NATO countries and Japan. Known as the CoCom—or Coordinating Committee—its purpose is to maintain multilaterally agreed restrictions on the shipment of highly strategic goods to the East European and Asiatic Communist countries.

In addition we are continuing our own unilateral control program, under which some goods and technology are controlled, to some destinations, although they are not under international control. Thus, for example, we embargo virtually all exports to Communist China, North Korea, North Vietnam, and Cuba. With respect to the U.S.S.R. and other East European Communist countries, however, our controls are more selective, both as to the commodities controlled and as among the several countries concerned. Our goal here is to assist in carrying out President Johnson's aim of both building bridges of peaceful trade with these countries, and safeguarding national security.

Since 1957 we have maintained a more liberal export policy toward Poland than toward the rest of the bloc, in response to Poland's desire to improve its relations with us. Last year we adopted a comparable policy toward Rumania, which had evinced an interest in improving its relations with us and in pursuing a more independent course within the bloc. As a result we entered into negotiations and

agreed upon taking certain steps to improve relations, including a more liberal export licensing policy on our side, and assurances, on Rumania's side, that it will not permit reexport of U.S. goods or technology, and will protect industrial property rights and processes.

Hungary, Czechoslovakia, Bulgaria, East Germany, Albania, and the U.S.S.R. are treated more stringently. Most goods and technical data still require a special or validated license for export to those countries, with only those items of the most obviously peaceful nature or consumer-type goods being exportable to them under general license.

In acting upon applications for licenses to export to the U.S.S.R. and the other East European Communist countries, we of course are guided by section 3(a) of the act. This section requires that goods and technology shall be denied to any unfriendly country if they make a significant contribution to the military or economic potential of such country which would prove detrimental to our national security and welfare.

Our interpretation of this "national security" provision has been that we should generally deny licenses to export goods which would contribute to bloc military potential, regardless of foreign availability of comparable items, but that other exports should generally not be considered detrimental to our security and welfare when the country can and will get comparable items elsewhere, regardless of whether such exports may contribute to the economic potential of the country of destination. The rationale in such cases is that preventing our business and labor from benefiting by the trade is likely to be more detrimental to our interests than the economic gain which the other country is going to get in any event. Of course, in these cases careful judgment is required in applying the terms "significant," "detrimental," "national security and welfare," et cetera, to the facts of specific cases. Licensing decisions are sometimes quite difficult, and no doubt may seem uncertain or unpredictable in some respects to the American business community. We are hopeful that through continual reexamination of this problem we may be able to further improve our export situation without impairment of our security interests.

It must be emphasized that while we do not follow a total embargo policy toward any of the East European Communist countries, our total trade with those countries is not large in dollar volume. In 1964 our exports to the bloc countries were unusually high because of the special Russian wheat sales, amounting to over \$100 million. Yet our 1964 exports to the bloc countries totaled only \$340 million; \$300 million of that was for surplus wheat, wheat flour, and other agricultural commodities. This contrasts with European exports to bloc destinations in excess of \$3 billion.

Another aspect of export controls which has been of particular concern to us is our controls over exports of technical data. The East European Communist countries appear to be especially interested in obtaining U.S. technology relating to industrial equipment, plants, and processes, mainly for chemicals, petrochemicals, petroleum refining, fertilizers, and certain agricultural products. We scrutinize these applications carefully. Considering the long-term usefulness of our advanced technology and prototype equipment to the Communist

countries in many fields, we naturally wish to make sure that no such transaction takes place unless it is in the total national interest.

In addition, where applications are received for export of such technology to free world destinations, we have been following, for some years, the twofold practice of requiring the foreign recipient to promise (1) not to reexport any U.S.-origin data to the Communist countries; and (2) with respect to the most important technology, not to ship to Communist countries the products he may make in his country by use of U.S.-origin technology.

No difficulty is found in getting agreement not to reexport the data. This obligation is in full harmony with commercial practices. However, in recent years there has been increasing objection on the part of foreign firms and foreign governments to our requirements for product control. While it is logical for us to seek to control exports of products made in free world countries from our technology, where we would not allow a direct export of the same products from the United States, in practice this raises difficult problems of extraterritorial jurisdiction, of enforcement, and of meaningfulness. One result is that in some important lines of business this control threatens to drive U.S. design engineering firms and the owners of some U.S. processes and industrial know-how out of free world markets.

In consequence, we have had some difficulty in arriving at final regulations with respect to certain products made abroad through use of our technical data that have not been previously controlled. We have sought to obtain the help of the affected industries in devising a more feasible type of control. This effort is still continuing. To a considerable degree we have been held back by the sheer difficulty of ascertaining whether and to what extent U.S. technology in particular fields is so significantly superior to technology available abroad that we can fairly expect an assurance, as to disposition of strategic products made with such technology, to be obtainable and meaningful.

I should also mention, with respect to our enforcement activities, that my staff has prepared a special report giving detailed information on the activities in this area since the last extension of the act, that is, for the calendar years 1962, 1963, and 1964. This has been made available to you and the committee staff. It contains a report on each administrative case in which export privileges have been suspended or denied, and an outline of the cases now pending. It also lists and describes those cases in which criminal action has been taken.

Finally, let me add that in reviewing these licensing matters I receive, as provided by section 4(a) of the act, the benefit of information and advice from the Department of State, Defense, Interior, Agriculture, and Treasury, as well as the AEC, NASA, FAA, OEP, and other interested agencies. Our licensing operations are carried out by our licensing personnel in the Bureau of International Commerce under policy and procedural instructions which have been approved following consideration and review by these departments and agencies. Consideration of policy changes and the most important license applications—which amount to a small percentage of our total cases—initially starts in an interdepartmental committee of senior staff-level officials of these departments and agencies, called the Operating Committee. Most frequently their recommendation is

unanimous and with few exceptions, the final decision is in accordance with such recommendation. If there is disagreement, a higher committee consisting of Assistant Secretaries of the interested agencies, called the Advisory Committee on Export Policy, endeavors to resolve the conflict. As sometimes happens in these highly sensitive and controversial matters, agreement may not be reached at that level. The Export Control Review Board consisting of the Secretaries of State, Defense, and Commerce, meets then under my chairmanship. Heads of other departments and agencies are invited to participate in cases of concern to them. However, in all situations the function of the other departments and agencies is to provide information and advice. The responsibility for decision rests with me, subject, of course, to the President's power of review.

This completes, Mr. Chairman, my brief review of the recent administration of the Export Control Act and of the reasons why we believe the act should be indefinitely extended and amended to allow for imposition of administrative penalties. We will be glad to try to respond to any questions that the committee may have.

The CHAIRMAN. Thank you very much, Mr. Secretary.

I would like to ask you a question about the absence of a termination date. It occurs to me we should have a termination date, the reason being that that is about the only way we can really review a situation. I know that you make reports and we could, of course, take some action if your reports were not favorable, but I don't think a report will suffice in a case like this for the reason that, in a democracy, there are lots of people who have bottleneck positions who can say "No" and make it stick and you can't get anything done. But there is no one person, not even the President of the United States, who can say "Yes" and be absolutely sure.

Therefore, if we are in a position of having to change the law, we are in a very weak position. How strongly do you feel about no termination dates, Mr. Secretary?

Secretary CONNOR. Mr. Chairman, our recommendation, as you can see, is that it be indefinite because we think that by having it on a permanent basis we could eliminate some uncertainties in the minds of our allies and of the Communists and it would make it easier for us to recruit and keep personnel.

On the other hand, we can understand why Congress might prefer to have a law of this kind reviewed at some fixed date in time. So that our position is that it certainly is up to the wishes of this committee as to whether it be indefinite or for a fixed time.

The CHAIRMAN. I believe that you made a statement in connection with the controls involving the balance of payments to the effect that they should not be permanent. Is that correct?

Secretary CONNOR. The voluntary program that we have worked out with—

The CHAIRMAN. I am not talking about the voluntary. I am talking about all controls we have for the balance of payments. I guess that would include even additional interest to be paid on foreign deposits.

Secretary CONNOR. Well, I think the Secretary of the Treasury must have testified to that effect, but it is true, as you indicate, that that program, by and large, is a fixed-duration program.

The CHAIRMAN. Yes. Before we go further, I would like the attention of the members on this, please. I have a telegram here from the Honorable James Roosevelt that I will read just for information and then we will decide how we shall handle this, if it is all right. It is addressed to me as chairman of the Committee on Banking and Currency:

"We, the undersigned sponsors of bills to amend the Export Control Act of 1949 to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States, and to prohibit action or furnishing of information by domestic concerns which have the effect of furthering or supporting such restrictive trade practices or boycotts, respectfully request an opportunity for presentation of a joint statement in support of such amendments by the Honorable James Roosevelt in our behalf tomorrow morning before extension of Export Control Act is taken under consideration by your committee."

Now, that is signed by Messrs. Adams, Addabbo, Bingham, Farbstern, Halpern, Horton, Joelson, Krebs, Lindsay, Michel, Minish, Multer, Patten, Ogden R. Reid, Resnick, Roosevelt, Ryan, Scheuer, and Yates.

If it meets with the approval of the committee, since time is of the essence in getting this bill through, because it expires June 30, it would be my suggestion that this question raised by Mr. Roosevelt's group be referred to the subcommittee that normally handles matters of this kind—Mr. Ashley is the chairman of that subcommittee—with full and complete hearings on it, and not introduce it in this particular hearing because we are anxious to get this act extended. Everybody is interested, I assume, in its continuance, and I just wonder how would you feel about that, Mr. Roosevelt?

Mr. ROOSEVELT. Mr. Chairman, while, of course, I haven't had a chance to talk it over with the Members who have signed that telegram, it is my impression that they would much prefer to see the proposed amendment made a part of this extension bill, rather than have it considered by this committee as a separate bill. It will be much more difficult to get it through the parliamentary process than it would if it is a part of this bill. I think that speaks for itself.

The CHAIRMAN. How much time would your side want on it, Mr. Roosevelt?

Mr. ROOSEVELT. I think I can deliver the statement in 10 minutes.

The CHAIRMAN. But would that be all that you are presenting?

Mr. ROOSEVELT. We have agreed that this shall be the statement that is all that we will present.

The CHAIRMAN. Yes.

Mr. ASHLEY. Mr. Chairman—

The CHAIRMAN. Yes, Mr. Ashley.

Mr. ASHLEY. I might say that I am, of course, familiar with the legislation that has been introduced by Mr. Roosevelt and the others. It would seem to me that there are obvious foreign policy implications and ramifications that would require the presence and testimony of the Secretary of State and other administration officials before this committee could properly make determination as to the merits of the proposed legislation. I don't think that it would be sufficient for our

purpose simply to hear the statement of the proponents of the legislation.

I don't think, and I am sure that the gentleman, my good friend, understands fully what I am saying, that this committee couldn't properly come to a decision in the matter on the basis of the testimony only of the proponents of the legislation.

Mr. ROOSEVELT. I wasn't trying to limit the testimony. I was responding to the gentleman's question as to how much time we would require today.

The CHAIRMAN. You would not oppose a full and complete hearing, then, as suggested by Mr. Ashley who would be chairman of the subcommittee?

Mr. ROOSEVELT. Provided that it would be considered in relationship to the bill now under consideration by the committee.

Mr. HALPERN. Mr. Chairman, as you know, and I spoke to you about this amendment, I am very concerned about it and I agree with Mr. Roosevelt that it should be considered as part of the legislation before us.

I also agree with my distinguished colleague and chairman of the Subcommittee on International Trade that this subject matter should have full review. I don't think any of the proponents of this amendment would want to deny a full review of its effect.

However, I do think that action on the bill before us should be withheld until full hearings are held, and the amendment should be considered in relationship to this bill. That is how we should proceed, Mr. Chairman.

The CHAIRMAN. That poses quite a problem for the committee. I would like to know how the committee members feel about it.

Mr. OTTINGER. Mr. Chairman, I agree with Mr. Halpern on this matter. I think it is one that has considerable support throughout the country. We certainly have received a lot of supporting reaction to it. I would very much like to see it taken up in connection with this bill which I think is the only real way we are going to be able to get it through if the majority of the committee does favor it.

The CHAIRMAN. We have this problem. You see, the housing bill will be ready soon. It will probably be voted out of the subcommittee tomorrow. It is one that we must not delay. It is going to take full committee action. I don't know whether it will take 1 day, 2 days, a week. I don't know what the situation is. But evidently all the members of the entire committee are entitled to participation in a bill of that importance.

It is a major bill, it is going to take considerable time of this committee. Then there are other bills. So the whole committee can't very well take on these emotionally charged problems which could result in being extended rather far, and jeopardize the extension of this act by June 30.

Mr. HALPERN. Mr. Chairman, as much as I hate to differ with the distinguished chairman, I think this is much more than an emotional problem. I think it is a political, as well as an economic, problem.

Mr. STANTON. I am sure there are those on this committee who are not familiar with what Mr. Roosevelt is going to say.

I wonder if I could suggest that we hear the statement and when we get into executive session, then we can decide.

The CHAIRMAN. Well, anyone else desire to be heard on this?

MR. WIDNALL. Mr. Chairman, I think it would be most unwise to take action on this until other testimony has been received. But I agree with Mr. Ashley that it is extremely important to know how the administration feels about it. I am sure that as my colleagues have said, there is a lot of sentiment in the House to do something about this problem and that we would like to have an opportunity to act on it.

I think possibly the last suggestion is the best, that we hear what Mr. Roosevelt has to say and then consider whether we want to have the full committee or subcommittee take action on the bill itself.

The CHAIRMAN. Would it be satisfactory to you, Mr. Widnall, as the senior minority member, if we go ahead and finish hearing Secretary Connor and Mr. Roosevelt and then in executive session decide what course to take?

Hearing no objection, so ordered.

Anyone desire to ask Mr. Connor questions? Mr. Halpern?

MR. HALPERN. Yes. I believe this is pertinent to the subject matter we are just discussing and I think quite appropriate at this time. Now, Mr. Secretary, you are aware, I am sure, of the identical bills introduced to amend the Export Control Act on the question of the Arab boycott.

Now, the amendment would prohibit American firms from surrendering information to the Arab boycott office concerning their economic dealings with Israel. After receiving such questions, American firms would merely state that they could not divulge the information since such a procedure would be contrary to American law.

That is what the amendment would do.

Now, this bill is designed to disallow American subservience and acquiescence to the boycott of Israel, a friendly country. This constitutes a threat to American companies and inherently impedes a good deal of commerce and investment.

Now, don't you think our failure to act runs contrary to the Nation's developing commitment to freer trade? And I would like to add a second part to that question. When American firms are sent questionnaires, are asked to submit affidavits or otherwise are threatened to surrender interests in Israel, for instance, do they have any recourse with the American Government? What, if anything, does the Government do to defend their legitimate business interests abroad, Mr. Secretary?

Secretary CONNOR. Mr. Halpern, I am thoroughly familiar with the proposed legislation. We have the matter under consideration in the Department of Commerce. We have not yet indicated an official position to the Bureau of the Budget in conformity with the regular procedure and therefore I am not prepared to say here today what our position will be or to speak to the point in behalf of the administration.

MR. HALPERN. I am sure you agree, Mr. Secretary, that since the war, one of our most durable and laudable objectives has been the search for freer trade. We are presently engaged in a very laborious effort with the European Economic Community and we want to lower tariffs and other trade restrictions.

Does not a boycott, and this is a question of your own opinion, does not a boycott constitute a restraint of trade, and how can the United

States, without appearing hopelessly contradictory, refrain from protecting its firms against such an onerous practice as the boycott?

Secretary CONNOR. Well, sir, I think the Arab boycott is deplorable. On the other hand, for our own national policy purposes, we have boycotts with respect to Cuba, and so forth, and I think this whole matter requires very careful consideration before there is an administration position.

Mr. HALPERN. Well, we are interested in American trade. My information indicates that about 165 American businesses are on the Arab blacklist for dealing with Israel. As the man most interested in selling Americans goods abroad I assume that you would like to see these restrictions broken.

Secretary CONNOR. No question about it.

Mr. HALPERN. And I suppose these queries should also be properly directed to the Secretary of State but I want to point out that the boycott is primarily a political instrument with obvious economic repercussions. Not only are we permitting economic blackmail against American companies but we are indirectly, without protective legislation, abetting Arab political purposes aimed at a friendly state.

It is a peculiar position for the United States and I certainly feel that we should have this amendment in the bill.

The CHAIRMAN. Mr. Widnall had asked for recognition and I didn't notice it. So I will recognize him now and then Mr. Ashley.

Mr. WIDNALL. Thank you, Mr. Chairman.

Mr. Connor, you are a fellow New Jerseyite and I want to welcome you here before the committee. Mrs. Dwyer asked me to be sure to say she regrets the conflict this morning, she has a meeting of the Government Operations Committee and she couldn't be here. She wanted to say some nice things about you.

Secretary CONNOR. Thank you very much.

Mr. WIDNALL. The last extension of this act was for 3 years; isn't that so?

Secretary CONNOR. Yes, sir.

Mr. WIDNALL. Don't you think in view of the attempts now being made to broaden trade with the Communist countries, particularly with Russia, that it would be very useful to have a congressional review?

Secretary CONNOR. I think that a congressional review does have some purpose. I can see advantages in having this permanent legislation. But if there is a congressional review, we would hope that it would be perhaps for a period somewhat longer than 3 years, after, say, 5 years.

Mr. WIDNALL. I agree with the statement made here by the chairman about the necessity for congressional review and the opportunity to do it and I personally feel it would be unwise to have an unlimited extension.

I notice that on page 7 of your own testimony, toward the bottom of the page you said "We are hopeful that through continual reexamination of this problem we may be able to further improve our export situation without impairment of our security interests."

In other words, you yourself want continual review and I think Congress feels exactly the same way about it.

Secretary CONNOR. Yes. It is a rapidly changing picture, Mr. Widnall.

Mr. WIDNALL. Now, on page 8 you speak about our 1964 exports to the bloc countries totalling only \$340 million. What was that \$340 million? How much in credits and how much in cash?

Secretary CONNOR. The great bulk of it was in cash. I can get the figures.

Mr. HOCKERSMITH. Practically all of it was in cash.

Mr. WIDNALL. Can you submit the figures for the record?

Secretary CONNOR. Yes. We can supply that.

Mr. HOCKERSMITH. I don't have them here.

Secretary CONNOR. It is almost completely in cash.

Mr. WIDNALL. How does that contrast with the European which you say is in excess of \$3 billion. How much in cash, how much in credits?

Secretary CONNOR. There is an increasingly large percentage of the trade between the Western European countries and the Eastern European Communist countries that is on a credit basis.

We will be glad to supply the breakdown to the extent we can. Mr. Hockersmith estimates it is now at about 25 percent in credits.

Mr. WIDNALL. Do any of those European countries use our dollars in connection with their trade with the Communist countries?

Secretary CONNOR. Not so far as we know, no sir.

Mr. WIDNALL. You say not so far as you know.

Secretary CONNOR. Well, I was just trying to think what kind of dollars they would possibly use. The foreign aid programs—nearly all of them have come to an end in Europe. I don't think that commercial-type dollars would get involved in this. Mr. Hockersmith can explain it.

Mr. HOCKERSMITH. I might say we have knowledge of some transactions between the bloc and Western Europe in which the bloc is using dollars to pay the Western European countries.

Mr. WIDNALL. Do you have any figures on that?

Mr. HOCKERSMITH. These are dollars which the bloc earns from us. Our exports are considerably smaller than our imports.

Mr. WIDNALL. If you have any figures on the amount of traffic on those dollars—

Mr. HOCKERSMITH. I don't have the figures, no, sir.

Secretary CONNOR. But these are dollars that flow to the bloc in the commercial transactions that are licensed by us and therefore are quite proper under the Export Control Act and then flow back to Western European countries in paying their balances.

Mr. WIDNALL. If you have got any pertinent information on that that you can furnish for the record, Mr. Chairman, I hope that that will be furnished to us.

Secretary CONNOR. We will be glad to take a look at it and see if that is possible.

(The information requested follows:)

**ATTACHMENT I.—SUPPLEMENTARY INFORMATION IN ANSWER TO REPRESENTATIVE WIDNALL'S QUESTIONS ON BLOC TRADE**

1. U.S. exports to Soviet bloc countries in 1964, totaling \$340 million, consisted of cash sales amounting to about \$258 million and credit sales of about \$82 million. Credit was utilized by only two countries, Hungary in the amount of about

\$21 million and Poland in the amount of about \$61 million. In both cases, the credit involved predominantly surplus agricultural commodities. In the case of Poland, these sales were made under title I of Public Law 480. With regard to Poland, it is questionable whether it can be considered a credit in the strict sense of that term. For each shipment Poland was required to deposit zlotys in a Polish bank to the U.S. account in an amount equivalent to the dollar value of the shipment, figured at the prevailing most favorable rate of exchange.

2. Hard information on credit extended by Western countries to the Soviet bloc is not available. For the most part, the available information is fragmentary and pertains only to Government guaranteed credit. A rough estimate of the credit extended by West European countries and Japan to the Soviet bloc placed the total outstanding at the end of 1964 at about \$1 billion. The credit is predominantly medium term, up to 5 years. The average term of credit is estimated to be about 3 years. Thus, the average annual amount of credit received by the Soviet bloc from Western European countries and Japan is estimated at a little over \$300 million, or about 10 percent of the total value of exports of over \$3 billion in 1964. It should be borne in mind, however, that current repayments of obligations by the Soviet bloc for past credits considerably reduce the current net additions to credits to the bloc.

3. During the last decade (1955-64), U.S. exports to the European Soviet bloc amounted to \$1,265.6 million including special arrangement sales to Poland since 1957 (mainly under Public Law 480). U.S. cash sales to the bloc during this period accounted for \$662.1 million, while our imports from the bloc totaled \$747.5 million. The overall balance of cash trade for the decade amounted to \$85.4 million in favor of the bloc. During 7 of those 10 years the balance of cash trade was in favor of the bloc. During 1964, however, owing mainly to the large wheat sales, the balance in favor of the United States amounted to \$159.4 million. The tabulation at the end of this attachment shows the data for each year.

There is no information as to what disposition has been made by the bloc of the \$85.4 million balance existing in its favor over the last decade. Those dollars were and are available for purchases either in Western Europe or elsewhere.

*U.S. trade with Soviet bloc,<sup>1</sup> 1955-64*

[In millions of dollars]

Year	U.S. exports total	U.S. exports excluding special arrangements <sup>2</sup>	U.S. imports total	Balance of commercial trade <sup>3</sup>
1955.....	7.0	7.0	55.8	-48.8
1956.....	11.2	11.2	65.5	-54.3
1957.....	86.1	22.6	61.3	-38.7
1958.....	113.1	23.5	63.5	-40.0
1959.....	89.4	26.9	80.5	-53.6
1960.....	193.9	59.4	80.9	-21.5
1961.....	135.4	84.3	81.1	3.2
1962.....	125.2	62.9	78.8	-15.9
1963.....	166.7	106.3	81.5	24.8
1964.....	339.6	258.0	98.6	159.4
Total or balance for period.....	1,265.6	662.1	747.5	-85.4

<sup>1</sup> U.S.S.R. and East European Communist countries.

<sup>2</sup> Public Law 480 arrangements and credit guarantees by Export-Import Bank.

<sup>3</sup> Minus sign in the balance column denotes a balance in favor of the Soviet bloc.

Mr. WIDNALL. Mr. Connor, the language of the act carries with it an injunction against any export control policies which result in inflation of prices domestically. Would you supply for the record the ocean freight rate patterns in both U.S. and foreign bottoms immediately preceding and following the large-scale grain sales from the United States and Canada in 1963 and 1964 as well as the impact of these higher freight rates on the overall bulk commodity exports.

Secretary CONNOR. Yes, sir; we will be glad to do that.

Mr. WIDNALL. You will recall that the primary argument in favor of surplus wheat sales to the Soviet bloc was the favorable impact on our balance-of-payments position. I suspect, however, the increased freight rates might have washed out much if not all of this advantage.

Do you have any comments on that?

Secretary CONNOR. No sir. I haven't looked at those figures but I would include a comment in supplying the information when we do.

Do you have an estimate on that?

Mr. HOCKERSMITH. The sales of wheat to the U.S.S.R. amounted to about \$141 million of which about \$12 million was freight.

Mr. WIDNALL. Seven or—

Mr. HOCKERSMITH. \$141 million for the sales of wheat of which about \$12 million was for freight.

Secretary CONNOR. But have we looked at the question of the increases in freight rates thereafter as perhaps washing out some or all of the balance-of-payments advantage from the wheat sales?

Mr. HOCKERSMITH. No; we have not.

Mr. WIDNALL. Will you submit a further statement on that?

Secretary CONNOR. Yes.

Mr. WIDNALL. Thank you very much.

That is all, Mr. Chairman.

(The information requested follows:)

ATTACHMENT II.—SUPPLEMENTARY INFORMATION IN ANSWER TO REPRESENTATIVE WIDNALL'S QUESTIONS ON OCEAN FREIGHT RATES

Question. Congressman Widnall asked Secretary Connor to "supply for the record the ocean freight rate patterns in both U.S. and foreign bottoms immediately preceding and following the large-scale grain sales from the United States and Canada in 1963 and 1964 as well as the impact of these higher freight rates on the overall bulk commodity exports."

Reply. The rates went up for both U.S. and foreign bottoms at the time space became relatively tight with the increased shipments of grain to the U.S.S.R. Space continued tight until the deliveries were completed, when the rates returned to a level fairly close to that prevailing before the increased grain shipments to the U.S.S.R. This trend is revealed in the attached charts copied from an issue of the Weekly Newsletter published by Maritime Research, Inc., and reproduced with their permission. The Weekly General Freight Index is a measurement of the relative increase-decrease in the quoted freight rates for all commodity shipments reported; the Weekly Grain Freight Index is a measurement of the relative increase/decrease in the quoted freight rates for all reported shipments of grain during 1963 and 1964. Most of the Soviet grain shipments were made during the last quarter of 1963 and the first quarter of 1964.

With regard to the question of impact of the foregoing trend of freight rates on the volume of bulk commodity export shipments carried in U.S. bottoms, increases in freight rates for grain shipments did not diminish the share of U.S.-flag vessels, since their share was determined by cargo preference policy. Government sponsored cargoes comprised virtually all of the shipments carried outbound by U.S.-flag vessels in irregular or tramp service prior to, during, and after the Soviet wheat shipments. Therefore change of rates had little or no effect on the deficit in the balance of payments.

Question. Congressman Widnall stated it to be his impression "that increased freight rates might have washed out much if not all of the balance-of-payments advantage from the wheat sales" and asked for comments thereon.

Reply. Our reply to the previous question indicated that the freight rates dropped back after the wheat deliveries were completed. In any event, the carriage of goods by American-flag ships in irregular or tramp service was not materially affected by the rate trends, since their business is almost entirely based on Government sponsored cargo.


**Maritime Research, Inc.**


WEEKLY NEWSLETTER

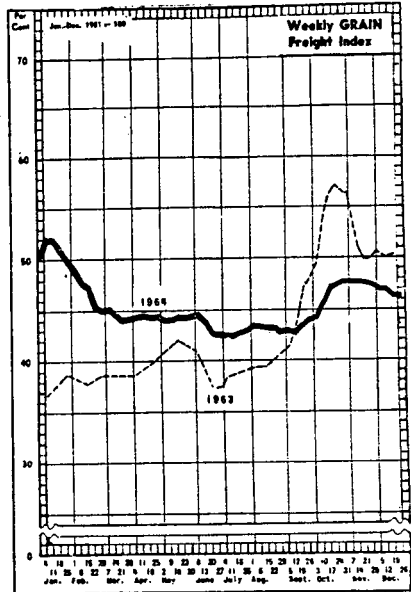
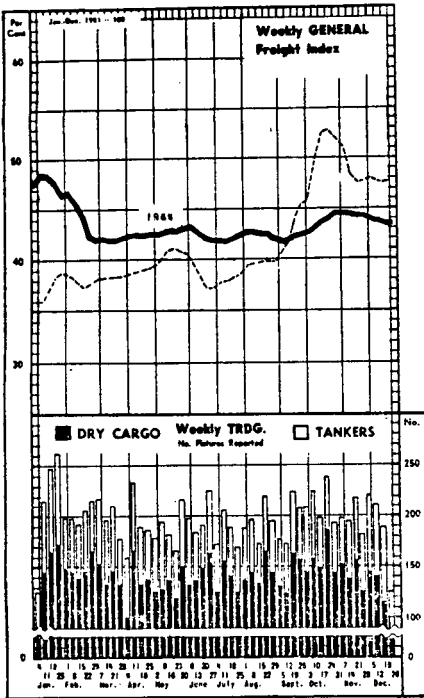
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INDICES-FIXTURES

Week of Dec. 26, 1964

To Jan. 2, 1965

Vol. XII No. 28



The CHAIRMAN. May I suggest this. Mr. Roosevelt is compelled to be before the Rules Committee at 11 o'clock. Now, this will be an unusual procedure but if we carry out what we have tentatively agreed upon, we can ask Secretary Connor to permit us to hear Mr. Roosevelt now and then conclude with Mr. Connor, and then go into executive session and make our decision. Without objection we will do that.

I will ask the reporter to put Mr. Roosevelt's statement after the conclusion of Mr. Connor's testimony. Mr. Ashley?

Mr. ASHLEY. Mr. Secretary, you have asked on behalf of the administration for indefinite extension of the Export Control Act authority.

Secretary CONNOR. Yes, sir; that is right.

Mr. ASHLEY. If such extension were denied by the committee, what would be your recommendation as to the extension under those circumstances?

For how many years?

Secretary CONNOR. Well, Mr. Ashley, we recommend that it be at least 3 years and preferably 5.

Mr. ASHLEY. With further respect to your request for indefinite extension authority, how many NATO countries, CoCom participants, have permanent laws on this subject?

Secretary CONNOR. Most of them—Mr. Hockersmith, do you have the exact listing there?

Mr. HOCKERSMITH. No, sir; I do not have the exact listing. Most of them do. I have the Battle Act report here. I don't think it is summarized here. We can supply it.

Secretary CONNOR. Mr. Ashley, we will submit exact names of those who do and those who do not.

Mr. ASHLEY. And those who don't, it would be of interest if it is available. If not, forget it. But if it is available, I would like to know the manner in which they proceed.

Secretary CONNOR. We will be glad to supply that information. (The information requested follows:)

#### ATTACHMENT III.—EXPORT CONTROLS IN COCOM COUNTRIES

1. *Belgium-Luxembourg*.—Belgium, under a law of September 11, 1962, and Luxembourg, under a law of January 20, 1955, control exports, imports, and transit trade. The two laws of indefinite duration are administered by the Joint Administrative Commission for the Economic Union.

2. *Canada*.—The Export and Import Permits Act (ch. 27 Canadian Statutes), an act of Parliament, was assented to by the Governor General on March 31, 1954. It has been extended about every 3 years; present extension expires July 31, 1966.

3. *Denmark*.—Exports are controlled by laws No. 372, December 1964, and No. 97 of March 1963. Both laws expire June 30, 1965, but preparations have been undertaken to extend them.

4. *France*.—The French export control system rests on a series of decrees regulating exports. These decrees are subject to change by the issuance of new decrees.

5. *Greece*.—Emergency Law No. 1960 of 1939 and Legislative Decree No. 480 of 1947 form the basis of Greece's indefinite export control authority.

6. *Italy*.—Decree No. 476 of 1956 relating to prohibition of exports and imports, and Decree No. 586 of 1955, relating to foreign exchange controls, form the basis of the licensing controls administered by the Foreign Trade and Finance Ministries. The authority is of indefinite duration.

7. *Japan*.—The Foreign Exchange and Foreign Trade Law, promulgated in 1949, provides permanent legislation which is implemented by ministerial orders and ordinances.

8. *Netherlands*.—The Import and Export Trade Law of July 5, 1962, provides export controls of indefinite duration.

9. *Norway*.—Under the act of December 1946, Norway's export controls are of indefinite duration.

10. *Portugal*.—By law of February 6, 1948, export controls are of indefinite duration.

11. *Turkey*.—The export control system is in effect through decree of the Council of Ministers which is effective for 6 months, being renewed each January and July.

12. *United Kingdom*.—By section 1 of the Import-Export and Customs Powers (Defense) Act of 1939, the export control authority is of indefinite duration.

13. *West Germany*.—The Law on Foreign Economic Relations of April 28, 1961, authorizes control of exports, transit trade, and export services including shipping. The law is of indefinite duration.

Mr. ASHLEY. I might just say that your statement on page 2, Mr. Secretary: "tends to lessen any doubts that our NATO allies may have about whether this country will continue to participate in the unilateral control of strategic goods"; in light of the facts that we have been at this for some 25 years and we have really been a prime mover in this

area, I don't think there really is any serious doubt in the minds of our allies in this regard, do you?

Secretary CONNOR. Well, Mr. Ashley, I would agree that they regard our efforts in this field as being very serious.

Mr. ASHLEY. As the present time, with respect to the legal enforcement activities under the Export Control Act, there are criminal and civil penalties; is this not true?

Secretary CONNOR. Yes, sir; it is true.

Mr. ASHLEY. The present civil penalties include what, Mr. Secretary?

Secretary CONNOR. Mr. Ashley, we have a statement here—

Mr. ASHLEY. Just essentially. You have your warning letter procedure.

Secretary CONNOR. Yes, sir. The warning letter is what can be described as the mildest form and it is frequently used in cases where it is quite clear that the violation is of technical or inadvertent nature, and the problem is that when these warning letters pile up, they begin to lose their meaning. So there are certain types of relatively minor offenses which we think could be more effectively handled if we had some kind of civil penalties such as are proposed here.

Mr. ASHLEY. Now, do I understand accurately that we go really from warning letter to license revocation in terms of the civil penalties?

Secretary CONNOR. Yes, sir; and this license revocation or denial can be extremely serious for a particular firm that has committed these technical violations but that has otherwise conducted its business in a perfectly normal and aboveboard manner.

Mr. ASHLEY. And it is your thought that by amending the act as proposed, that there would then be a further civil remedy or penalty that could be inserted, as it were, between the warning letter method of reprimand and the rather complete and meat ax type of penalty represented by the license revocation?

Secretary CONNOR. That is exactly the case. We think license revocation or denial in many cases is too much of a punishment for the crime.

Mr. ASHLEY. Thank you very much, Mr. Chairman.

The CHAIRMAN. Let's see. How many Members want to be heard?

Mr. Fino, Weltner, Stephens, Todd, and some others.

Mr. Weltner was the one that I agreed to recognize next and then Mr. Fino.

Mr. WELTNER. I yield to Mr. Stephens.

The CHAIRMAN. We expect to have an executive session on the two bills, this and the interest on foreign deposits that we have now.

Mr. STEPHENS. Mr. Chairman, there is a question that bothers me about the civil penalty and, Mr. Connor, you may not want to try to answer it now and, if not, I will appreciate maybe a memorandum on this.

Article I, section 9 of the Constitution says: "No tax or duty shall be laid on articles exported from any State." And I would like to see if there would not be some decisions that could satisfy me that that is not a violation of that provision. It is a civil penalty. It is in the nature of a tax, and I am not satisfied in my mind that this doesn't violate the constitutional provisions.

Secretary CONNOR. Mr. Dean Lewis, Deputy General Counsel, will comment on that.

Mr. LEWIS. Mr. Stephens, this is a penalty which would be imposed in an administrative proceeding on account of proven past violations of the export regulations. It would not be referable to specific future exports and therefore I don't believe it would really be comparable to a tax on exports. So that I am not sure that it would be—that there would be any problem presented by article I, section 9 to which you refer.

Mr. STEPHENS. Could you look up and maybe give me some citations—

Mr. LEWIS. We will be glad to supply a memorandum for the record.

Mr. STEPHENS. I would appreciate it. That is all I have.

(The information requested follows:)

#### ATTACHMENT IV.—CONSTITUTIONALITY OF H.R. 7105 CIVIL PENALTY PROVISIONS

H.R. 7105 would authorize the Department of Commerce to impose civil penalties amounting to not more than \$1,000 for each violation of the Export Control Act and the regulations issued thereunder. Such payments would be entirely predicated on proven past violations, would be calculated without reference to the nature or value of the exports involved, would be imposed without reference to the nature or value of any subsequent or future exports, and would not be imposed in connection with any exports made in compliance with law. The question is whether such civil penalty would constitute a "tax or duty \* \* \* laid on articles exported from any State," in violation of article I, section 9, clause 5 of the Constitution of the United States. In my opinion it would not be such a tax or duty, but rather a penalty, not proscribed by the Constitution.

It is true that taxes may be imposed for reasons other than the mere raising of revenue, including in some cases a purpose to discourage activities which are deemed to be contrary to public policy. *Hodge v. Muscatine County*, 196 U.S. 276, 25 S. Ct. 237, 49 L. ed. 477 (1905). However, when the enforced payment is intended as a punishment for some action that is prohibited by law, it ceases to be a tax and is treated as a penalty. For example, where the Federal Government imposed what was called a tax on the illegal sale of liquor (in an amount twice as great as the tax otherwise imposed), the Supreme Court ruled that it was a penalty, stating in part as follows:

"A tax is an enforced contribution to provide for the support of government; a penalty, as the word is here used, is an exaction imposed by statute as punishment for an unlawful act." *United States v. La Franca*, 282 U.S. 568, 572, 75 L. ed. 551, 51 S. Ct. 278 (1931).

This distinction was also drawn in *Lipke v. Lederer*, 259 U.S. 557, 66 L. ed. 1061, 42 S. Ct. 549 (1922); *Goodstein v. Mississippi Levee Comrs.* 153 Miss. 783, 121 So. 856 (1929). In *Cotonificio Bustese S. A. v. Morgenthau*, 121 Fed. 2d 884 (1941), the U.S. Court of Appeals for the District of Columbia held that a 10-percent ad valorem customs "duty" imposed for failure to comply with marking requirements was not a duty but a penalty.

The constitutional prohibition applies only to the imposition of duties on goods by reason of their exportation. *Turpin v. Burgess*, 117 U.S. 504, 507 (1886). The payments contemplated by H.R. 1705 would not be within the scope of the constitutional prohibition because they are not imposed by reason of the exportation, but rather by reason of the violation of law.

Finally, it should be noted that monetary sanctions similar to the one contemplated are provided for in other statutes currently in effect. For example, under the Gold Reserve Act of 1934, the exportation of gold from the United States in violation of law is subject to a civil penalty equal to twice the value of the gold. (Act of January 30, 1934, Public Law 78-87, c. 6, sec. 4, 48 Stat., 340, 31 U.S.C. 443.) It has apparently never been maintained that this provision constituted a tax on exports within the meaning of article I, section 9, clause 5 of the Constitution, although the constitutionality of the Gold Reserve Act has been challenged many times since its enactment.

I conclude, therefore, that the civil penalty provisions contained in H.R. 7105 do not violate article 1, section 9, clause 5.

DEAN B. LEWIS, *Acting General Counsel.*

May 11, 1965.

Mr. STEPHENS. I yield back to Mr. Weltner. Did he yield to me?  
The CHAIRMAN. Yes, sir; after Mr. Fino.

Mr. FINO. Thank you, Mr. Chairman.

Mr. Secretary, on page 7, I was particularly interested in your observation that in 1964 our exports to the bloc countries were unusually high because of the special Russian wheat sales that ran over \$100 million. Of course, I was opposed to the sale of wheat to Russia because in my opinion it was in violation of the Agricultural Act, as well as for moral reasons, and I was opposed to the sale of wheat to Russia because it was an imposition on the American taxpayer because this amounted to an additional subsidy.

I want to ask you were we ever paid by Russia for this sale of wheat?

Secretary CONNOR. Mr. Hockersmith was thoroughly familiar with that. He was in the office at the time.

Mr. HOCKERSMITH. Cash was received for every bit of wheat that was exported to Russia.

Mr. FINO. I didn't understand you, sir.

Mr. HOCKERSMITH. I said we received cash for every bit of wheat that was sold to the U.S.S.R.

Mr. FINO. When you say cash, you mean American dollars?

Mr. HOCKERSMITH. American dollars.

Mr. BARRETT. Will the gentleman yield to me for just a question?

Isn't it true when we were discussing shipping wheat to Russia that we said put it on the barrelhead and we will give you the wheat? Put your dollars up here where we can see them and we will ship the wheat? There weren't any credits or any time payment. This ultimately gave them a little relief, but they paid for what they got in cash.

Mr. HOCKERSMITH. Yes, sir.

Mr. FINO. Well, as I understand it, we were here in session until December 24, because we were having problems on that question, isn't that so?

Mr. HOCKERSMITH. I didn't understand the question.

Mr. FINO. I said we were in Congress until the 24th of December because we were having that problem with Russia on the Russian payments, isn't that so?

Secretary CONNOR. The question of how long Congress remained in session—there certainly was a question about the payment but the whole matter was resolved so that it was a cash transaction and in fact was carried out that way.

Mr. FINO. So that Russia—you are ready to say right here and now that Russia has fully paid up every dollar she owed us for that shipment of wheat.

Mr. HOCKERSMITH. Yes, sir.

Mr. FINO. Wasn't there also a question of use of the American ships? Weren't we supposed to use 50 percent of our American ships in the transportation of that wheat?

Mr. HOCKERSMITH. There were many questions; yes, sir.

Mr. FINO. Were 50 percent of our American ships used?

Mr. HOCKERSMITH. In the initial stages of the Russian wheat program, American ships were not available to meet the 50-percent requirement, and the Maritime Administration granted waivers permitting foreign-flag ships to be utilized. In the overall program, a total of 1,756,341 long tons of wheat were shipped of which 758,950 tons or 43.2 percent moved in American-flag ships.

Mr. FINO. Thank you.

The CHAIRMAN. Mr. Weltner.

Mr. WELTNER. Thank you, Mr. Chairman.

Mr. Secretary, you have requested the authority to impose a fine of \$1,000 on violators of the act. I wonder if you have any other laws under your administration or supervision that provide for the imposition of a civil penalty or forfeiture such as this?

Secretary CONNOR. Mr. Lewis I think is in the best position to answer that.

Mr. LEWIS. Mr. Weltner, there is one other statute, to my knowledge, under the jurisdiction of the Secretary, or rather the Secretary and two other Secretaries, jointly, which is the Foreign Trade Zones Act. It authorizes the imposition of civil fines. Mr. Thau reminds me that the Great Lakes Pilotage Administration has civil fining authority. A number of other agencies have this authority, too, and I have—if I can put my hands on it here—a listing of several of them. I won't read the text but the Federal Aviation Agency has such authority. The Federal Trade Commission, Federal Power Commission and Federal Communications Commission all have civil fining authority.

Mr. WELTNER. If you have the authority to delegate to any officer or employees of the Commerce Department, I wonder what review procedures or other safeguards you may have in mind. I ask that question because this is essentially in the nature of criminal transaction—depriving a person of property, and I wonder whether this is due process of law. I would like to know what procedures are contemplated to assure that there is at least a semblance of due process in the imposition of a civil fine such as this?

Mr. LEWIS. We would anticipate that the procedures that would be followed would be comparable to the procedures which are now followed and have been for some years in cases which are beyond the warning letter phase that was discussed with Mr. Stephens, or rather with Congressman Ashley, and go to license denial or license revocations that were referred to. That procedure is briefly this, that when an investigation discloses a violation of the export regulations, a charging letter is issued to the parties involved stating the accusation. An administrative procedure follows which is an administrative equivalent, I suppose, of a criminal procedure, with full opportunity to be heard before a compliance commissioner of the Department, who is a sort of hearing examiner, with opportunities to be represented by counsel, with opportunities to discover evidence. The compliance commissioner issues a recommended decision which is reviewed by Mr. Hockersmith as the Director of the Office of Export Control. Where parties are not satisfied with the decision there is a further right of review before a departmental appeals board.

Mr. WELTNER. Is there an appeal from final determination within the Department to a court of law?

Mr. LEWIS. Yes. There would be an appeal on constitutional grounds.

Mr. WELTNER. You stated to this committee that the regulations—if this bill passes—that the regulations which will be drawn up will contain a specific provision for appeal to a court of law insofar as that can be provided by regulation.

Mr. LEWIS. Certainly we don't now have it specifically set out in the regulations but there is no reason at all why it couldn't be put in there.

Secretary CONNOR. That would be on questions of law, of course. On matters of fact in conformity with the regular Administrative Procedure Act, and so forth, the determination within the Department would be binding but there would be an appeal provision for court review of the questions of law raised.

Mr. WELTNER. But there would be no court review of a finding of fact by yourself as Secretary of Commerce.

Secretary CONNOR. If supported by substantial evidence, which is the usual administrative requirement.

Mr. WELTNER. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. St Germain?

Mr. ST GERMAIN. Mr. Secretary, I would like to hit a point that Mr. Ashley brought up also on the indefinite extension because in reading over your testimony—I wasn't here, I had to be at another meeting—the statement itself seems to state you do have problems making decisions in certain areas as to which items should be allowed to be exported to certain countries and which should not. In other words, in many instances by denying the export of certain materials we might be cutting off our noses to spite our face. Isn't that a fact?

Secretary CONNOR. Well—

Mr. ST GERMAIN. Difficult decision.

Secretary CONNOR. Yes. The decisions are difficult. You do have to balance, on both sides of the fence, many opposing factors and then arrive at a decision. The cases are not all clear cut by any means.

Mr. ST GERMAIN. And as a follow up to that, Mr. Secretary, I would submit it is very hard to get these reports but I think that it probably would be helpful to the Department if every 3 to 5 years there were a complete review by the Congress of these matters so that you might be benefited by the wise counsel of the Congress. That is my observation on that point.

Secretary CONNOR. This has many advantages; yes, sir.

Mr. ST GERMAIN. The second point I bring up, very briefly, is on page 4 you say aside from extending the duration of the act and expanding the enforcement authority, you do not believe it necessary to ask for any other amendment to the act.

Now, I went through your testimony very rapidly but I saw no reference to the amendment that was discussed by Congressman Roosevelt a little earlier.

Have you made any reference to that amendment in your testimony this morning?

Secretary CONNOR. No, sir. There was no reference in the testimony and as yet there is no administration position with respect to this proposed law.

Mr. ST GERMAIN. Well, this proposed amendment is not new, I am sure, to the Department, or either to Congress or to State, because I note the date of introduction on Mr. Multer's is January 4, 1965, and I am puzzled as to why this has been glossed over completely or ignored, so to speak, in the testimony this morning.

Secretary CONNOR. Well, I can assure you, sir, that it is under active consideration.

Mr. ST GERMAIN. And when did this active consideration begin, Mr. Secretary? Prior to your taking office? Or maybe one of your colleagues could answer.

Secretary CONNOR. Many similar proposals have been considered in past years, as I understand it. This particular consideration in this Congress has been going on for some weeks.

Mr. ST GERMAIN. They just started recently, in other words, to consider this particular proposal.

Secretary CONNOR. This particular proposal has some unique features which require new consideration.

Mr. ST GERMAIN. And you realize, I am sure, that there are some Members of Congress who are very interested in your thoughts on the subject.

Secretary CONNOR. Yes, sir. That has been made very clear to us.

Mr. ST GERMAIN. Thank you. Nothing further.

The CHAIRMAN. Mr. Clawson.

Mr. CLAWSON. Thank you, Mr. Chairman.

Mr. Secretary, it has been my observation over the past few years that there has been an increasing opposition in American opinion toward our foreign aid program, more specifically to the foreign aid that has been extended to many of the Communist or Communist-oriented countries. I am aware that in your statement you indicated a rather delicate and sensitive control over any materiel that has to do with military or strategic goods as far as our trade is concerned. However, because of this opposition to foreign aid, I also have discovered at least in areas that I represent, some of our people criticize trade with Communist bloc countries. And some of this opposition has been provoked as a result of specific situations that have developed in these sensitive areas which are publicized more than usual, I refer particularly to one in 1961 to 1963; 10 Lockheed C-130 troop transports were exported to President Sukarno of Indonesia and these export licenses were approved. Later the 10 aircraft were used in Sukarno's takeover of Irian as well as military landings in Malaysia.

Now, in addition to these, export licenses were approved through much of 1964 for export of spare parts for these same planes. Finally licenses were denied, but only after much congressional objection, in addition to some rather bitter discussion in the British Parliament and British Ambassador discussions with our Secretary of State.

My purpose in asking this question is to determine what could be done to speed up action and avoid the long extended delay in denying these licenses when the need for denial is obvious.

Secretary CONNOR. Well, sir, as you say, the licensing of export of some of these products has been a matter of public debate. The policies that we have followed give the first order of importance to the national security considerations. Of course, in our relationship with a country like Indonesia, we have our ups and downs and what seems

to be a sensible decision from the point of view of foreign relations and all other considerations may take a different look depending upon subsequent events.

But we, of course, try to administer the act in accordance with the tests on the facts that are available to us at the time. I personally am not familiar with this particular transaction. Mr. Hockersmith, are you?

Mr. HOCKERSMITH. Yes. I am familiar with it and because of reasons of foreign policy as well as national security and foreign commitments of the United States, decisions were made to continue the export of parts for these planes. The matter, of course, is under continuing review because of the situation which has developed. But so far there has been no decision that we would stop these parts from going into Indonesia at the present time.

Mr. CLAWSON. I understood they were stopped, that licenses were denied after the pressure built up to the point that it did.

Mr. HOCKERSMITH. I think perhaps, Mr. Congressman, you are referring to the shipment of parts for military aircraft.

Mr. CLAWSON. Well, that is what these were.

Mr. HOCKERSMITH. Well, the——

Mr. CLAWSON. I would certainly consider transports as military in that respect.

Mr. HOCKERSMITH. I'm sorry. I misunderstood. I thought you were talking to the civilian aircraft.

Mr. CLAWSON. No. I specifically mentioned the 10 Lockheed C-130 troop transports.

Mr. HOCKERSMITH. I am afraid I didn't recognize the C-130 as being the military type.

Mr. CLAWSON. This has been denied, but it took considerable time before action on the denial. Congressional pressure and even the British Government got into the act before the action was taken. My question is about the delay. Couldn't there be a faster determination, particularly in view of not the ups in our relationship with Mr. Sukarno but the downs that we have experienced more recently.

Secretary CONNOR. Well, in matters of this kind, of course, we ask for and receive the advice of the State Department and in controversial matters, of course, the President has the responsibility for the conduct of foreign relations. This whole Indonesian situation has been the subject of a great deal of discussion and perhaps the decisions that we make on a specific export licensing application necessarily would be subordinated to the broader questions of relationships with that particular country.

Mr. CLAWSON. That was the case, then, in this particular instance. Is that what you are——

Secretary CONNOR. Yes, sir.

Mr. CLAWSON. Along the same vein, let me ask just one other, and this is a question that perhaps you may or may not have the answer.

Have there been any instances whatever in shipments of radio and communications equipment by U.S. firms or their foreign subsidiaries to Castro's Cuba since our embargo?

Secretary CONNOR. Mr. Hockersmith, can you answer that?

Mr. HOCKERSMITH. As far as I know there have not been any. Since July of 1963, the Treasury Department under its Cuban assets con-

trol regulations has imposed a prohibition against dealing with Cuba by foreign subsidiaries of U.S. firms under U.S. management. Whether or not there had been any shipment prior to that time I am afraid I can't answer.

Mr. CLAWSON. Subsequent to that it would have been a violation.

Mr. HOCKERSMITH. Yes, if the subsidiary were under U.S. management. If there were no U.S. citizens, residents, or corporations participating in the transaction except through their financial interest in the subsidiary, then the transaction would be permissible under the Treasury regulations. Such transactions, however, have been minimized under a moral suasion program conducted by the Departments of State, Commerce, and Treasury. These Departments employ their best efforts to persuade American parent firms to instruct their subsidiaries not to engage in such transactions.

Mr. CLAWSON. Thank you very much. I have nothing further.

The CHAIRMAN. Mr. Stanton and Mr. Cabell have asked for recognition. Mr. Stanton.

Mr. STANTON. Thank you, Mr. Chairman.

Mr. Secretary, I think Mr. St Germain answered my question. I was just wondering whether or not you care to comment on Mr. Roosevelt's remarks.

Secretary CONNOR. No, sir. I would prefer to await the development of our position on the basis of all the information that is now coming into us.

Mr. STANTON. Thank you very much.

The CHAIRMAN. Mr. Cabell.

Mr. CABELL. Thank you, Mr. Chairman. Two very short questions for the record.

The CHAIRMAN. Then Mr. Todd.

Mr. CABELL. For the record, Mr. Secretary, on page 4 of your testimony you refer to repeated minor violations not warranting cancellation of the license.

Now, are we jockeying ourselves into a position by just imposing a fine to where it would be profitable for the violator just to pay those fines if he is not threatened with cancellation of his license? I have seen that happen in other matters where it is profitable just to go ahead and pay the fine.

Secretary CONNOR. Mr. Cabell, our intent would be to handle a few repeated minor violations after the warning letter with some kind of a civil fine after the procedure that was discussed, but if the offenses continue, then there is no reason at all why we can't proceed to the more serious type of penalties, and this would be our intent. This proposal, in other words, would just give us a broader range of arms in the arsenal.

Mr. CABELL. It is not just a wrist-slapping thing. You will retain that action.

Secretary CONNOR. Yes, sir.

Mr. CABELL. One more. It has often been alleged, particularly with reference to Rumania, that they have violated the provision of the reexportation of certain strategic or military material.

Now, without passing judgment on that, is your Department ready to cut off all exports where such a violation, a patent violation, is positively proven?

Secretary CONNOR. Yes, sir. We are prepared to take action in situations where the agreement that led to our issuance of the license has been violated and we have proof of it.

Mr. CABELL. Thank you.

The CHAIRMAN. Mr. Todd.

Mr. TODD. Thank you, Mr. Chairman.

Mr. Secretary, one of the other aspects of this act is to reduce the inflationary impact of abnormal foreign demands, and to cut off the excessive drainage of excessive materials. You can apply export restrictions in that regard.

In your summary here of legal enforcement activities, case No. 5 awaiting hearing decision, there is a case involving exportation of walnut logs to Canada. I was wondering whether these were strategic materials and have an impact on foreign demands? Do you know?

Secretary CONNOR. Yes, I do. I have been involved in it personally. After full consideration of the facts I decided to suspend the export controls on walnut logs.

Mr. TODD. Was this because of the high price or are these strategic goods?

Secretary CONNOR. Well, the walnut logs are not currently in short supply. The question was whether controls should be imposed on the basis that the demand from domestic and foreign sources was so great at the present time that the inventory of walnut would be used up after a period of 8 or 10 years. It was my conclusion that the continued imposition of the export controls on the basis of the demand and supply factors was not warranted.

Mr. TODD. Well, I would like to make this comment, then. I think this is an excellent reason that the Congress might want to review this act in 5 years. I happen to have constituents who sold walnut logs to put their children through college and in a case like this where there is no, say, impact on the national economy or on the consumer price level, I think it would be very appropriate to let free market action set the price and to have also the demand for these logs so that, in a sense, I think I might like to review this type of decision 5 years from now, providing I am here.

Secretary CONNOR. That, in effect, was the basis of my decision in that case.

The CHAIRMAN. Thank you, gentlemen, very much.

Secretary CONNOR. Thank you very much, Mr. Chairman.

The CHAIRMAN. Now we will hear from our colleague from California, Mr. Roosevelt.

Mr. ROOSEVELT, we are glad to have you, sir. You may proceed in your own way. I believe you said you would take about 10 minutes.

#### STATEMENT OF HON. JAMES ROOSEVELT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. ROOSEVELT. Thank you, Mr. Chairman. I want to express to you and the members of the committee my appreciation for your courtesy and to the Secretary for his courtesy in letting me come on at this time.

Mr. Chairman, with your permission and the permission of the committee may I submit the statement in full?

The CHAIRMAN. Without objection, so ordered.

Mr. ROOSEVELT. I will paraphrase it in order to stay within the 10 minutes.

The amendment which has been submitted by the 20 Members, who have been referred to, is an amendment to immunize American exporters of goods and services from involvement in foreign boycotts. We believe it would contribute to export expansion and trade promotion. It would protect legitimate American business interests in foreign markets. It would assert our determination to trade overseas where we wish to trade and in markets where there is a demand for American goods and services.

It would provide long overdue protection, we believe, to smaller American business firms whose export opportunities have been curtailed by the harassment of trade restrictions arising from disputes to which the United States is not a party.

Mr. Chairman, may I just say to you, sir, that your own record in domestic matters in the area of removing unfair trade restrictions, it seems to me, fits you very well to judge whether or not this is not exactly in the same principle for which you have fought all your life.

I believe that the outstanding example of this situation at the present time, is the Arab boycott. Nevertheless, we want to emphasize that this is not legislation which would apply just to one situation because there is the continual threat that in many other areas where disputes now exist, for instance, between Indonesia and Malaysia, between Ethiopia and Somalia, between Iran and Bahrein, in all of these areas these same preliminary steps have been taken, and so what we have to say, while it is highlighted by the Arab boycott against Israel, it does not apply just to this one situation.

I think we would like to point out some specific instances in which it has been used and how it is used. American companies are subjected to detailed questionnaires and requirements for documentary justification with respect to their business dealings. American exporters are required to submit invoices bearing negative certificates of origin. These are not the customary certificates attesting to the U.S. origin of the commodities exported. They are attestations that the commodities and their components are not of Israeli nor of German reparations origin, and it seems to me that this is a level of humiliation to which American companies have been exposed for the past 15 years and should no longer be exposed to.

I want to give a few specific examples.

The American businesses, large and small, have been subjected to these irregular procedures. There was the threat last year to the Chase Manhattan Bank to terminate its financial connections with Israel. The Chase Manhattan Bank stood its ground and refused to be blackmailed, and because of its size it was able to be successful in this refusal.

On the other hand, there is the lady in Dallas, Tex., who operates a small gift shop. She ordered some gloves from an Israel manufacturer and shortly thereafter she received a threatening letter and a questionnaire from the Arab boycott office. She was affronted but her

other business would have been seriously impaired and she had no protection of any kind.

Then there was the American company that licensed an Israel manufacturer to produce a key component of an appliance. This U.S. company was approached by other American firms to which it also supplied this component and who had been threatened by the boycott office that their Arab markets were in jeopardy because they used the components manufactured in the United States. The American licensor, to its great distress, terminated its licensing agreement in Israel.

These are but examples of the seeds already sown by such a boycott in American commercial life. There are many more.

We believe that if it is sound policy for the Chase Manhattan Bank to be able to refuse to submit to this threat, that certainly it should be equally sound national policy not to subject smaller American firms who do not have the size and the financial ability to be able to do exactly the same thing. We believe that this Government should certainly undertake to give them that protection.

Our amendment seeks to cut off this unwarranted intervention in our American business at its source, by prohibiting the supply of affidavits, the negative certifications of origin, and the response to questionnaires. In other words, by providing American businessmen assurance that they need only observe the normally accepted practices of international commerce.

May I say that in order to dispel the notion, sometimes advanced, and I believe the Secretary just advanced it by giving an example of the fact that we have boycotts against goods going to Cuba, that the United States practices trade restrictions similar to this boycott with respect to Communist countries, one must understand that in our export regulations we control the utilization of only American products, American processes, and American resources. We do not presume unilaterally to control products, processes, and resources originating in third countries, and that is the fundamental difference in what we are asking this committee to consider.

We believe that this will be contrary to our American attitude of fairplay in international commerce. We never have done it as an American nation. Why should we allow other nations to do it to us and to our American businesses?

And so in our proposal, we seek to provide American companies operating overseas a measure of fairplay backed up by some long overdue, we believe, Government assurance and protection, and we believe that this amendment properly belongs in this bill because otherwise we will be trying to make legislation which would appear to be only aimed at one particular situation.

We believe that with the renewal of this export legislation before you it is time now to set down the rules that will apply across the board, and therefore we respectfully suggest and urge that you give consideration to our proposed amendment in the bill presently before you and not as a special measure on its own.

The CHAIRMAN. Just a minute, Mr. Roosevelt, before you leave. Depending upon the action of this committee in executive session, you will be privileged to come back, either to the whole committee or to Mr.

Ashley's committee, in order that the committee members may interrogate you.

Mr. ROOSEVELT. I shall certainly—

The CHAIRMAN. With that understanding is it all right to let Mr. Roosevelt go?

Fine. You may be excused.

Mr. ROOSEVELT. Thank you, Mr. Chairman.

Mr. HALPERN. Mr. Chairman, before the witness is excused, I just want to add that I subscribe to every word that the distinguished witness presented on behalf of several of our colleagues, one of which I am privileged to be. I fully associate myself with his statement and trust that the committee will take forceful and favorable action on the amendment to this bill.

The CHAIRMAN. Thank you, Mr. Roosevelt. We will be in touch with you.

Mr. STEPHENS. Do we have copies of the statement?

Mr. ROOSEVELT. I will supply copies to every member of the committee, if you please.

(The statement of Mr. Roosevelt follows:)

STATEMENT OF HON. JAMES ROOSEVELT, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, members of the committee, I appreciate this opportunity to appear before the Banking and Currency Committee in support of the amendment introduced by 20 fellow Members of Congress and myself to amend the Export Control Act of 1949 to protect American business from restrictive trade practices and boycotts imposed by foreign countries against other countries friendly to the United States.

Our amendment is designed to immunize American exporters of goods and services from involvement in foreign boycotts. It would contribute to export expansion and trade promotion. It would protect legitimate American business interests in foreign markets. It would assert our determination to trade overseas where we wish to trade, and in markets where there is a demand for American goods and services. It would provide long-overdue protection to smaller American business firms, whose export opportunities have been curtailed by the harassment of trade restrictions arising from disputes to which the United States is not a party.

The chairman of this committee, during his many years in Congress, has been in the forefront of the fight against domestic restrictive trade practices. He is an experienced and expert legislator in this area. And, a most effective one. The amendments we propose would apply the same principle to which he has been dedicated on the domestic front to the protection of American companies doing business with foreign companies and governments.

The Arab boycott is an example of the type of restrictive mechanism that has imposed itself on U.S. transactions in the Middle East for more than 15 years. While it is a product of the hostile relationships between the Arab States and Israel, the boycott has been projected into third countries, and has been made a factor in their economic relations with the Arab States and Israel. American business firms have become involved in, and some victimized by, the practices of this boycott. Our amendment would curtail this involvement, and would

do so by offering American companies a simple, but clear, measure of protection by their Government.

And there is no assurance that this boycott will be the last economic lever of foreign political hostilities that will seek to ensnare U.S. commerce, particularly if the United States does not exempt itself from these irregular processes. There is the dispute between Indonesia and Malaysia; between Ethiopia and Somalia; between Iran and Bahrein. American oversea commerce can provide a tempting object for all of them—if we continue to permit it to be such a target. The remedy we propose is a simple one. It hurts nobody. It only would benefit American exporters.

How do these freewheeling trade restrictions foisted on us by others operate? The Arab boycott projects itself into the American business scene by establishing special conditions for trading, by interrogation, and by threat. American companies are requested to file affidavits affirming that they have no commercial dealings with Israel. American companies are subjected to detailed questionnaires, and requirements for documentary justification, with respect to their business dealings in Israel.

American exporters are required to submit invoices bearing negative certificates of origin. These are not the customary certificates attesting to the U.S. origin of the commodities exported. They are attestations that the commodities, and their components, are not of Israel nor of German reparations origin.

Such is the level of humiliation to which American companies have been exposed for the past 15 years.

American businesses, large and small, are subjected to these irregular procedures. There was the threat last year to the Chase Manhattan Bank to terminate its financial connections with Israel. Chase stood its ground and refused to be blackmailed.

And there is the lady in Dallas, Tex., who operates a small giftshop. She ordered some gloves from an Israel manufacturer. Shortly thereafter she received a threatening letter and questionnaire from the Arab Boycott Office. She was outraged at the affront.

There was the American company that licensed an Israel manufacturer to produce a key component of an appliance. This U.S. company was approached by other American firms to which it supplied its component, and who had been threatened by the boycott office that their Arab markets were in jeopardy because they used the component manufactured in the United States. The American licensor, to its great distress, terminated its licensing agreement in Israel.

These are but some examples of the seed already sown by such a boycott in American commercial life. There are many more.

Our amendment seeks to cut off this unwarranted intervention in our American business at its source—by prohibiting the supply of affidavits, the negative certifications of origin, and the response to questionnaires. In other words, by providing American businessmen assurance that they need only observe the normally accepted practices of international commerce.

It is true that some economic giants in the United States, such as Chase Manhattan, because of their stature, resources, and strong competitive position, are able, independently, to resist this, or probably any other boycott measures. However, there are other firms, smaller,

newly venturing into the international market, and in a less favorable competitive position, who feel compelled to respond to the boycott tactics, no matter how distasteful. It is this category of company—smaller American business—that would stand most to gain from the protective remedy in our proposal. In refusing to comply with boycott demands, they would have a Government export regulation on which to fall back. Our proposal thus would assure equal treatment for all American companies.

In conclusion, let me dispel the notion, sometimes advanced, that the United States practices trade restrictions similar to this boycott with respect to Communist countries. In our export regulations, we control the utilization of only American products, American processes, and American resources. We do not presume to unilaterally control products, processes, and resources originating in third countries. This would be contrary to our American attitude of fairplay in international commerce.

And so, in our proposal, we seek to provide American companies operating overseas a measure of fairplay backed up by some long-overdue Government assurance and protection.

We urge your favorable consideration of our proposed amendments.

The CHAIRMAN. Members of the committee, may we take an evaluation and determine whether or not we are ready to go into executive session and pass on the questions we have discussed. Also the question of foreign interest—I mean interest on foreign deposits.

Are we ready to go into executive session?

Without objection, it is so ordered.

(Whereupon, at 11:25 a.m., the committee proceeded into executive session.)

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Subcommittee on International Trade  
of the  
Committee on Banking and Currency

May 13, 20, and 21, 1965

CONTINUATION OF AUTHORITY FOR REGULATION  
OF EXPORTS  
and  
AMENDING THE EXPORT CONTROL ACT OF 1949

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# CONTINUATION OF AUTHORITY FOR REGULATION OF EXPORTS

and

## AMENDING THE EXPORT CONTROL ACT OF 1949

THURSDAY, MAY 13, 1965

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON INTERNATIONAL TRADE,  
COMMITTEE ON BANKING AND CURRENCY,  
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Thomas L. Ashley (chairman of the subcommittee) presiding.

Present: Representatives Ashley, Stephens, St Germain, Weltner, Gettys, Cabell, McGrath, Hansen, Widnall, Halpern, and Johnson.

Mr. ASHLEY. The subcommittee will come to order.

The purpose of the hearings this morning is to receive further testimony on H.R. 7105, a bill for continuation of authority for regulation of exports, and for other purposes.

Without objection we will introduce into the record at this point a copy of H.R. 7105 and also copies of H.R. 627 and H.R. 4361, bills introduced by our colleagues on the committee, Mr. Multer and Mr. Halpern, as an amendment to the Export Control Act of 1949, together with a list of cosponsors of those measures of which there are I believe 24.

(H.R. 7105; H.R. 627 and H.R. 4361, with the list of cosponsors follow:)

[H.R. 7105, 89th Cong., 1st sess.]

A BILL To provide for continuation of authority for regulation of exports, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 12 of the Export Control Act of 1949, as amended, is repealed.

SEC. 2. Section 5 of the Export Control Act of 1949, as amended, is amended by adding at the end thereof subsections (c), (d), and (e), as follows:

“(c) The head of any department or agency exercising any functions under this Act (and officers or employees of such department or agency specifically designated by the head thereof) may impose a civil penalty not to exceed \$1,000 for each violation of this Act or any regulation, order, or license issued hereunder, either in addition to or in lieu of any other liability or penalty which may be imposed.

“(d) The head of any department or agency exercising any functions under this Act (and officers or employees of such department or agency specifically designated by the head thereof) may compromise and settle any administrative proceeding commenced with respect to any violation of this Act or any regulation,

order, or license issued hereunder, upon payment of a sum not to exceed \$1,000 for each such violation.

"(e) The amount of any penalty imposed or sum to be paid in compromise and settlement pursuant to subsections (c) and (d) of this section shall be payable into the Treasury of the United States and shall be recoverable in a civil suit in the name of the United States. Nothing contained in those subsections shall be construed to limit in any way (i) the availability of other administrative remedies with respect to violations of this Act or any regulation, order, or license issued hereunder (ii) the authority to compromise and settle administrative proceedings brought with respect to violations of this Act or any regulation, order, or license issued hereunder on terms which do not require the payment of money, or (iii) the authority to compromise, remit, or mitigate seizures and forfeitures pursuant to the Act of August 13, 1953 (67 Stat. 577)."

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[H.R. 627, 89th Cong., 1st sess.]

A BILL To amend the Export Control Act of 1949

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 2 of Export Control Act of 1949, as amended (50 App. U.S.C. 2022), is amended by adding at the end thereof a new paragraph as follows:

"The Congress further declares that it is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States."

SEC. 2. Section 3(a) of the Export Control Act of 1949, as amended (50 App. U.S.C. 2023(a)), is amended by adding at the end thereof a new sentence as follows: "Such rules and regulations shall prohibit, in furtherance of the policy set forth in the last paragraph of section 2, the taking of any action, including the furnishing of information or the signing of agreements, by domestic concerns engaged in the export of articles, materials, or supplies, including technical data, from the United States which have the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States."

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[H.R. 4361, 89th Cong., 1st sess.]

A BILL To amend the Export Control Act of 1949

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 2 of the Export Control Act of 1949, as amended (50 App. U.S.C. 2022), is amended by adding at the end thereof a new paragraph as follows:

"The Congress further declares that it is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States."

SEC. 2. Section 3(a) of the Export Control Act of 1949, as amended (50 App. U.S.C. 2023(a)), is amended by adding at the end thereof a new sentence as follows: "Such rules and regulations shall prohibit, in furtherance of the policy set forth in the last paragraph of section 2, the taking of any actions, including the furnishing of information or the signing of agreements, by domestic concerns engaged in the export of articles, materials, or supplies, including technical data, from the United States which have the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States: *Provided*, That nothing contained in this sentence shall be construed to authorize the imposition of any sanction against any business concern in a country friendly to the United States which is engaged in the export of articles, materials, or supplies, including technical data, to the United States and to any foreign country fostering or imposing such restrictive trade practices or boycotts."

## COSPONSORS OF BILLS SIMILAR OR RELATED TO H.R. 627 AND H.R. 4361

Charles S. Joelson (N.J.)---	H.R. 4359	Ogden R. Reid (N.Y.)-----	H.R. 7263
Jonathan B. Bingham		Sidney R. Yates (Ill.)-----	H.R. 7331
(N.Y.)-----	H.R. 4360	Brock Adams (Wash.)-----	H.R. 7359
James Roosevelt (Calif.)---	H.R. 4362	Samuel N. Friedel (Md.)---	H.R. 7407
John V. Lindsay (N.Y.)---	H.R. 4363	Robert H. Michel (Ill.)---	H.R. 7751
Paul J. Krebs (N.J.)-----	H.R. 4364	Florence P. Dwyer (N.J.)---	H.R. 7839
Joseph G. Minish (N.J.)---	H.R. 4365	Frank J. Horton (N.Y.)---	H.R. 7863
Edward J. Patten (N.J.)---	H.R. 4405	Fernand St Germain (R.I.)---	H.R. 7873
William F. Ryan (N.Y.)---	H.R. 4802	William D. Ford (Mich.)---	H.R. 8006
Leonard Farbstein (N.Y.)---	H.R. 5603	Thomas O. McGrath, Jr.	
Emanuel Celler (N.Y.)---	H.R. 6464	(N.J.)-----	H.R. 8104
James H. Scheuer (N.Y.)---	H.R. 6581	Benjamin S. Rosenthal	
Jacob H. Gilbert (N.Y.)---	H.R. 6823	(N.Y.)-----	H.R. 8128
Joseph P. Addabbo (N.Y.)---	H.R. 6847		

Mr. ASHLEY. The purpose, of course, of introducing H.R. 627 is to lay forth the measure that is really the subject of these hearings; namely, the amendment, the proposed amendment which would deal with the so-called boycott.

Next, at this point in the record, without objection we will introduce the departmental report dated April 28, 1965, from the Department of State expressing the views of the Department of State with respect to H.R. 627 and similar bills.

(The report referred to follows:)

DEPARTMENT OF STATE,  
Washington, April 28, 1965.

HON. WRIGHT PATMAN,  
Chairman,  
Committee on Banking and Currency,  
House of Representatives

DEAR MR. CHAIRMAN: This is in further response to your request for comments on H.R. 627. This bill would amend section 2 of the Export Control Act of 1949, as amended, by adding a new paragraph which states that it is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States. Section 3(a) would also be amended so as to prohibit domestic export concerns from furnishing information or signing agreements which have the effect of furthering or supporting such restrictive trade practices or boycotts.

Apparently this proposal is directed at the Arab boycott against Israel and, specifically, at questionnaires requesting businessmen to supply information as to whether they transact business with Israeli persons or firms. However, it would apply equally to information requested by the Israeli Government as to cooperation with the Arab States.

There should be no doubt about the position of the Department of State toward the Arab boycott: The Department has consistently opposed the boycott as a barrier to peaceful progress in the Near East. And, although the boycott continues, the Department and our missions abroad have been able to persuade some of the Arab States to moderate the practical impact of the boycott on American companies operating in the Near Eastern areas.

The majority of American companies which trade with Arab concerns, and some which also trade with Israel, are not affected by the boycott; nor are firms which deal only with Israel, although as a matter of principle some object vigorously to warning letters sent by the central boycott office in Damascus.

Israeli officials have maintained and continue to maintain, that the Arab boycott is ineffective. This contention would appear to be borne out by the fact that Israel's exports have increased from \$179 million in 1959 to \$350 million in 1963; imports from \$430 million to \$674 million in the same period.

H.R. 627, if enacted would not be likely to end the Arab boycott. Rather, it would more probably have the effect of stiffening Arab attitudes and minimizing the degree of cooperation that the Department has been able to obtain from some of the Arab countries. Specifically it would:

1. Prevent American firms, some of which trade with both Israeli and Arab companies, from trading with the Arabs.

2. Seriously harm our sizable commercial relations with Kuwait and Saudi Arabia, with adverse effect on our already negative balance of international transactions.

3. End cooperation with the United States by several Arab States which have recently been very cooperative on boycott actions.

4. Prohibit actions which we ourselves must practice in enforcing U.S. legislation regarding trade with Cuba by other countries. Our vulnerability to hostile propaganda would be increased thereby.

Moreover, the findings set forth in section 1 of the Export Control Act have to do with (a) materials in short supply at home and abroad, and (b) unrestricted export of materials from the United States without regard to their potential military and economic significance. Since these findings provide no basis within the purposes of the act for the amendment proposed by H.R. 627, which does not restrict exports, this amendment appears to be outside the proper scope of the Export Control Act.

For the reasons which I have set forth this Department does not favor adoption of H.R. 627.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely yours,

DOUGLAS MACARTHUR II,  
*Assistant Secretary for Congressional Relations*  
(For the Secretary of State).

Mr. ASHLEY. Our first witness this morning is Secretary Ball from the Department of State. We are very privileged to have you, Mr. Secretary. We are aware of the demands on your time, particularly since you are wearing more than one hat at this particular moment in Secretary Rusk's absence. Secretary Ball is Acting Secretary of State.

We do appreciate your presence here, Mr. Secretary, and we will proceed with your testimony. You may, of course, proceed in any manner that you wish and we will try to respect as best we can the demands on your time. We know that you will have a Cabinet meeting later on in the morning and we will do our best to get you out of here.

**STATEMENT OF HON. GEORGE W. BALL, ACTING SECRETARY OF STATE; ACCOMPANIED BY PHILLIPS TALBOT, ASSISTANT SECRETARY OF STATE FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS; DOUGLAS MacARTHUR II, ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS; AND PHILIP H. TREZISE, DEPUTY ASSISTANT SECRETARY, BUREAU OF ECONOMIC AFFAIRS**

Secretary BALL. Thank you very much, Mr. Chairman. I returned only yesterday from the NATO meeting in London. As a result, I have not had time to prepare a careful statement, but I would like to address some observations this morning at H.R. 627 which would amend the Export Control Act of 1949 by prohibiting domestic export companies from taking any actions, including the furnishing of information or the signing of agreements that have the effect of furthering or supporting restrictive trade practices or boycotts imposed by foreign countries against other countries friendly to the United States.

This legislation, Mr. Chairman, would in our judgment be harmful to the best interests of the United States and the administration is strongly opposed to its enactment.

The United States is currently conducting extensive programs of economic denial itself, programs directed at economic denial against Communist countries. The best known of these programs, of course, is the one that we direct against Cuba, but our Government also imposes a number of restrictions that, taken together, constitute an embargo on United States trade with Communist China, with North Vietnam, and North Korea, and that sharply restrict United States trade in strategic goods with other Communist countries.

It may be helpful if I were briefly to summarize the most significant of these restrictions.

First, under the Trading With the Enemy Act, U.S. firms are prohibited from virtually all transactions with Communist China, North Vietnam, North Korea, and Cuba.

Second, the Battle Act requires the termination of military, economic and financial assistance to any nation that knowingly permits the shipment of strategic items to Communist bloc countries.

Third, special restrictions are imposed under the Export Control Act on the shipment of U.S. goods and technology to Communist countries.

Fourth, we condition our foreign assistance to friendly countries upon their refraining from specific kinds of transactions with Cuba. The Foreign Assistance Act, for example, prohibits assistance to countries that have not taken appropriate steps to prevent their ships or aircraft from transporting cargo to or from Cuba.

Fifth, as a matter of policy, no U.S. cargo may be shipped on vessels that trade with Cuba and every effort has been made to discourage friendly countries from exporting critical materials to Cuba.

Now, obviously, if we are to enforce these programs of economic denial effectively, we need the assistance of foreign firms and governments. Otherwise we could never adequately police the restrictions that we impose under the programs.

For this reason, we consistently call upon foreign firms and governments to furnish a substantial amount of information concerning their international trade. Much of this information is similar to that which U.S. concerns would be prohibited from furnishing under the proposed legislation.

Mr. Chairman, I have with me some sample forms which are used to adduce the information that we need from firms abroad. I could have these handed to you if you care to look at them. They are simply examples of the type of form that we use.

Mr. ASHLEY. Yes. Without objection I think it will be the thought of the committee that those should be introduced following your testimony, Mr. Secretary.

(The forms referred to follow:)

## REGULATION OF EXPORTS

## CERTIFICATION AND ASSURANCE

The undersigned \_\_\_\_\_,  
(Name)

\_\_\_\_\_  
(Address) (herein called

the "Controlling Party"), hereby certifies as follows:

## I

Purpose of Certification and Assurance

1. This Certification and Assurance is made to the United States Government for use in determining the eligibility of vessels listed in Annex 1 hereto to carry United States Government-sponsored cargoes.

## II

Vessels under Control of Controlling Party

1. Annex 1 hereto contains a true, correct and complete list of vessels currently under control of the Controlling Party, together with, in the case of vessels currently under charter or other contractual obligations requiring that such vessels call at Cuban ports or depriving the Controlling Party of the right to direct their movements, a true, correct and complete description of any contractual obligation with respect to each vessel listed, including the name and type of the vessel, owner, charterer, type of charter and trading limits, date of charter, and date of commencement and expiration of charter. As used herein, "control" shall include any means by which the movement or employment of vessels may be directed, including but not limited to ownership, charter, agency, management or operating agreement, or otherwise, either directly or indirectly.

2. None of the charterers listed in Annex 1 hereto are parties through which the vessels listed are or may be under control of the Controlling Party.

3. So long as it remains the policy of the United States Government to discourage trade with Cuba,

a) none of the vessels listed in Annex 1 hereto will henceforth be employed in the Cuba trade, except as provided in paragraph b); and

b) vessels listed in Annex 1 hereto which are covered by contractual obligations, including charters, entered into prior to December 16, 1963, under which their employment in the Cuba trade may be required, shall be withdrawn from such trade at the earliest opportunity consistent with such contractual obligations.

## REGULATION OF EXPORTS

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4. The Controlling Party will exercise all rights it may have under charters or other contractual agreements, including the right to terminate or give notice of non-renewal and the right to direct movement of vessels, to the end that such vessels cease calling at Cuba at the earliest possible time.

### III

#### Vessels Calling at Cuba

1. Annex 2 hereto contains a true, correct and complete list of those vessels shown in Annex 1 that have called at a Cuban port on or after January 1, 1963, and the date and circumstances of each such call.

2. The United States Government will be notified of any vessels under the control of the Controlling Party which may hereafter call at a Cuban port by immediate communication to the United States Maritime Administration, including the date and circumstances of each such call.

### IV

#### Vessels Coming under Control of the Controlling Party

1. So long as it remains the policy of the United States Government to discourage trade with Cuba, no vessel which may hereafter come under control of the Controlling Party or the other parties hereto will call at Cuban ports.

2. Annex 1 hereto shall be kept current by immediate communication to the United States Maritime Administration concerning the acquisition of control by the Controlling Party of any vessel not listed therein, or concerning the disposition by the Controlling Party of any vessel listed in Annex 1 or any amendment thereto.

\_\_\_\_\_  
(Shipowner or Company Official)

Embassy or Consulate of the United States of America

Subscribed and sworn to before me  
\_\_\_\_\_  
Consul of  
the United States of America at  
\_\_\_\_\_, duly commissioned  
and qualified this \_\_\_\_\_ day of  
\_\_\_\_\_.

\_\_\_\_\_  
Consul of the United States  
of America

## REGULATION OF EXPORTS

The undersigned parties hereby authorize and approve the foregoing  
Certification and Assurance and agree to be parties thereto.

By \_\_\_\_\_  
(Title: \_\_\_\_\_)

Embassy or Consulate of the United States of America

Subscribed and sworn to before me  
\_\_\_\_\_ Consul  
of the United States of America  
at \_\_\_\_\_, duly  
commissioned and qualified this  
\_\_\_\_\_ day of  
\_\_\_\_\_.

\_\_\_\_\_  
Consul of the United States of  
America

ANNEX 1  
to  
CERTIFICATION AND ASSURANCE

List of Vessels under Control of				(Controlling Party)		
Vessel	Type	Owner	Charterer	Type & Trading Limits of Charter	Date of Charter	Duration of Charter Commencing Date Expiration

ANNEX 2  
to  
CERTIFICATION AND ASSURANCE

Vessels under Control of \_\_\_\_\_ that Have Called at Cuba On or  
Since January 1, 1963 \_\_\_\_\_ (Controlling Party)

Name of Vessel	Flag	Port	Dates of Call	Circumstances of Call

Form Approved; Budget Bureau No. 41-81423-4

<p>Form PC-62 (11-7-60)</p> <p style="text-align: center;">U.S. DEPARTMENT OF COMMERCE BUREAU OF INTERNATIONAL COMMERCE OFFICE OF EXPORT CONTROL</p> <p style="text-align: center;"><b>SINGLE TRANSACTION STATEMENT BY CONSIGNEE AND PURCHASER</b></p>	<p><b>1. Ultimate consignee name and address</b></p> <p>Name _____</p> <p>Street and number _____</p> <p>City _____</p> <p>Country _____</p> <p>Reference (if desired) _____</p>						
<p style="text-align: center;"><b>GENERAL INSTRUCTIONS</b></p> <p>This form must be submitted by the importer (ultimate consignee shown in item 1) and by the overseas buyer or purchaser, to the United States exporter or seller with whom the order for the commodities described in item 3 has been placed. Thereafter, the U.S. exporter must present this completed form to the U.S. Department of Commerce within 90 days from the date appearing in item 9 or item 10, whichever is later. All items on this form must be completed. Where the information required is unknown or the item does not apply, write in the appropriate words "UNKNOWN" or "NOT APPLICABLE." The signatures required in items 9 and 10 must be those of responsible officials who are authorized to bind the firms of the ultimate consignee and purchaser to the commitments in this statement. If more space is needed, attach an additional copy of this form or sheet of paper signed as in items 9 and 10.</p>							
<p><b>2. Request</b></p> <p>We request that this statement be considered a part of the application for export license filed by _____</p> <p style="text-align: center;">U.S. exporter or U.S. person with whom we have placed our order (order party)</p> <p>for export to us of the commodities described in item 3.</p>							
<p><b>3. Commodities</b></p> <p>We have placed an order with the person named in item 2 for the following commodities in the quantity and value indicated below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Quantity</th> <th style="width: 60%;">Commodity Description</th> <th style="width: 20%;">Value</th> </tr> </thead> <tbody> <tr> <td style="height: 100px;"></td> <td></td> <td></td> </tr> </tbody> </table>		Quantity	Commodity Description	Value			
Quantity	Commodity Description	Value					
<p><b>4. Nature of business</b> (Complete the following sentences using the appropriate term.) (For example: Broker, distributor, fabricator, manufacturer, wholesaler, retailer, etc.)</p> <p>a. The nature of our usual business is _____</p> <p>b. (If the commodities are for resale) The nature of our customer's usual business is _____</p>							
<p><b>5. Disposition of commodities</b> (Check and complete the appropriate box)</p> <p>We certify that the commodity or commodities listed in item 3</p> <p>a. <input type="checkbox"/> Will not be sold for use outside the country named in item 1.</p> <p>b. <input type="checkbox"/> May be reshipped in the form received to _____</p> <p style="text-align: center;">Name of country in commerce</p>							
<p style="text-align: center;">(Reproduction of this form is permissible, provided that content, format, size and color of paper are the same.)</p> <p style="text-align: center;">Please continue form and sign certification on reverse</p> <p style="text-align: right;">USCIB-PC 31420-P23</p>							

**EXPEDITE SHIPMENT BY COMPLETING  
THIS FORM CORRECTLY  
FOLLOW THESE SPECIFIC INSTRUCTIONS**

**1. Ultimate Consignee must be person abroad who is actually to receive the material for end use as shown in item 6a. A bank, freight forwarder, forwarding agent, or other intermediary is not acceptable as an ultimate consignee.**

**2. Give name of company with which order was placed.**

**3. Describe commodities in detail wherever possible, giving particulars such as name, basic ingredients, composition, type, size, gauge, grade, horsepower.**

**4. Complete "b" only if the commodity is purchased for resale.**

**5. This item applies to the commodities in the form in which received from the United States. Either "a" or "b" must be completed. Be sure to indicate new destinations if "b" is checked.**

## REGULATION OF EXPORTS

6. Check "a", "b", "c" as appropriate specifying end use of commodity(ies).

7. Supply any other information not appearing elsewhere on the form, such as, other parties to the transaction.

8. Name all persons, other than employees of the consignee or purchaser who assisted in the preparation of this form.

9. Only an official of the ultimate consignee named in item 1 should complete this item. Be certain to sign statement in ink as well as type or print name and title of person signing document.

10. It is necessary to complete this item only if the purchaser is not the same as the ultimate consignee shown in item 1 or if the ultimate consignee is unknown. Be sure to type or print the name of purchaser. This space must be signed in ink by an official of the purchasing firm. The name and title of official or person signing this document must be typed or printed.

11. This item is reserved for use by U.S. Exporter where additions, corrections, or alterations appear on the form.

PLEASE TEAR THIS FLAP OFF BEFORE SUBMITTING FORM TO THE OFFICE OF EXPORT CONTROL

**6. Specific end use (Check and complete appropriate boxes.)**

a. We will use the commodities listed in Item 3 for:

(1) ☐ Resale in the form received.

(2) ☐ Production or manufacture of \_\_\_\_\_ Name of final products

in \_\_\_\_\_ and distribution in \_\_\_\_\_

Name of country or countries Name of country or countries

b. Our customers will use the commodities for:

(1) ☐ Resale in the form received from us.

(2) ☐ Production or manufacture of \_\_\_\_\_ Name of final products

in \_\_\_\_\_ and distribution in \_\_\_\_\_

Name of country or countries Name of country or countries

c. Other end use by us or by our customers \_\_\_\_\_

**7. Additional information (Any other material facts which will be of value in considering applications for licenses covered by this statement.)**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**8. Assistance in preparing statement (Names of persons other than employees of consignee or purchaser who assisted in the preparation of this statement.)**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**9. CERTIFICATION OF ULTIMATE CONSIGNEE (This item is to be completed by the ultimate consignee only)**

We certify that all of the facts contained in this statement are true and correct to the best of our knowledge and belief and we do not know of any additional facts which are inconsistent with the above statement. We shall promptly send a supplemental statement to the person named in Item 2, disclosing any change of facts or intentions set forth in this statement which occurs after the statement has been prepared and forwarded. Except as specifically authorized by the United States Export Regulations, or by prior written approval of the United States Department of Commerce, we will not reexport, resell, or otherwise dispose of any commodities listed in Item 3 above: (1) to any country not approved for export; or brought to our attention by means of a Bill of Lading, commercial invoice, or any other means; or (2) to any person if there is reason to believe that it will result, directly or indirectly in disposition of the commodities contrary to the representations made in this statement or contrary to United States Export Regulations.

Sign here \_\_\_\_\_ Type or \_\_\_\_\_  
 in ink \_\_\_\_\_ print \_\_\_\_\_ Name and title of person signing this document \_\_\_\_\_ Date of signing \_\_\_\_\_  
 (See instructions on front of form)

**10. CERTIFICATION OF PURCHASER (This item is to be completed only (1) where the purchaser is not the same as the ultimate consignee or (2) where the ultimate consignee is unknown.)**

We certify that all of the facts contained in this statement are true and correct to the best of our knowledge and belief and we do not know of any additional facts which are inconsistent with the above statement. Except as specifically authorized by the United States Export Regulations, or by prior written approval of the United States Department of Commerce, we will not reexport, resell, or otherwise dispose of any commodities listed in Item 3 above: (1) to any country not approved for export as brought to our attention by means of a Bill of Lading, commercial invoice, or any other means; or (2) to any person if there is reason to believe that it will result, directly or indirectly in disposition of the commodities contrary to the representations made in this statement or contrary to United States Export Regulations.

Sign here \_\_\_\_\_ Type or \_\_\_\_\_  
 in ink \_\_\_\_\_ print \_\_\_\_\_ Name and title of person signing this document \_\_\_\_\_ Date of signing \_\_\_\_\_  
 (See instructions on front of form)

**11. CERTIFICATION FOR USE OF U.S. EXPORTER in certifying that any correction, addition, or alteration on this form was made prior to the signing by the ultimate consignee or purchaser in Items 9 or 10.**

(We) certify that no correction, addition, or alteration was made on this form by me(us) after the form was signed by the (ultimate consignee) (purchaser).

Sign here \_\_\_\_\_ Type or \_\_\_\_\_  
 in ink \_\_\_\_\_ print \_\_\_\_\_ Name and title of person signing this document \_\_\_\_\_ Date of signing \_\_\_\_\_

The making of any false statement, the concealment of any material fact, or failure to file required information may result in denial of participation in United States exports. Material or Governmental certification is not required.

# REGULATION OF EXPORTS

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<p>Form PC-842 (1-18-64)</p> <p style="text-align: center;"><b>U.S. DEPARTMENT OF COMMERCE BUREAU OF INTERNATIONAL COMMERCE OFFICE OF EXPORT CONTROL</b></p> <p style="text-align: center;"><b>MULTIPLE TRANSACTIONS STATEMENT BY CONSIGNEE AND PURCHASER</b></p> <p>Use Form PC-842 for a single export transaction. Use this form only for a continuing series of transactions during the period shown in Item 2.</p>	<p style="text-align: right;">Form Approved: Budget Bureau No. 41-R1424</p> <p><b>1. Ultimate consignee name and address</b></p> <p>Name _____</p> <p>Street and number _____</p> <p>City _____</p> <p>Country _____</p> <p>Reference (if desired) _____</p>
<p><b>GENERAL INSTRUCTIONS</b></p> <p>This form must be submitted by the importer (ultimate consignee shown in Item 1) and by the overseas buyer or purchaser, to the United States exporter or seller with whom the order for the commodities described in Item 3 is placed. This completed statement will be submitted in support of one or more export license applications to the U.S. Department of Commerce. All items on this form must be completed. Where the information required is unknown or the item does not apply, write in the appropriate words "UNKNOWN" or "NOT APPLICABLE." The signatures required in Items 9 and 10 must be those of responsible officials who are authorized to bind the firm of the ultimate consignee and purchaser to the commitments in this statement. If more space is needed, attach an additional copy of this form on sheet of paper signed as in Items 9 and 10.</p>	
<p><b>2. Request</b></p> <p>We request that this multiple transactions statement be considered a part of every application for export license filed by _____</p> <p style="text-align: center;">U.S. exporter or U.S. person with whom we have placed or will place our order (order party)</p> <p>for export to one of the type of commodities described in this statement, during the period ending June 30 of next year, or as _____</p> <p style="text-align: center;">(Show earlier but not later termination date if desired.)</p>	
<p><b>3. Commodities</b></p> <p>We have placed or will place orders with the persons named in Item 2 for the commodities indicated below:</p> <p style="text-align: center;">Commodity Description</p> <div style="border: 1px solid black; height: 150px; margin-top: 5px;"></div>	
<p><b>4. Nature of business and relationship with U.S. exporter named in Item 2.</b></p> <p>a. The nature of our usual business is _____</p> <p style="text-align: center;">Broker, distributor, fabricator, manufacturer, wholesaler, retailer, etc.</p> <p>b. Our business relationship with the U.S. exporter is _____</p> <p style="text-align: center;">Commercial, franchise, exclusive distributor, distributor, wholesaler, continuing and regular individual transaction business, etc.</p> <p>and we have had this business relationship for _____ years.</p>	
<p><b>5. Disposition of commodities (Check and complete the appropriate box)</b></p> <p>We certify that the commodity or commodities listed in Item 3</p> <p>a. <input type="checkbox"/> Will not be sold for use outside the country named in Item 1</p> <p>b. <input type="checkbox"/> May be reshipped in the form received to _____</p> <p style="text-align: center;">Name of country or countries</p>	
<p>(Reproduction of this form is permissible, providing that content, format, size and color of paper are the same.)</p> <p>Please complete form and sign certification on reverse side</p> <p style="text-align: right;">USCIB-DC 33157-P4</p>	

## EXPEDITE SHIPMENTS BY COMPLETING THIS FORM CORRECTLY FOLLOW THESE SPECIFIC INSTRUCTIONS

1. Ultimate Consignee must be person abroad who is actually to receive the material for end use, as shown in Item 6. A bank, freight forwarder, forwarding agent, or other intermediary is not acceptable as an ultimate consignee.

2. Give name of company with which orders have been or will be placed.

3. Describe commodities in detail whenever possible, giving particulars such as name, basic ingredients, composition, type, size, gauge, grade, horsepower.

4. Complete both "a" and "b"

5. This item applies to the commodities in the form in which received from the United States. Either "a" or "b" must be completed. Be sure to indicate new destinations if "b" is checked.

## REGULATION OF EXPORTS

6. Check "a", "b", "c" as appropriate, specifying end use of commodity (ies).

7. Supply any other information not appearing elsewhere on the form, such as other parties to the transaction.

8. Name all persons, other than employees of the consignee or purchaser who assisted in the preparation of this form.

9. Only an official of the ultimate consignee named in Item 1 should complete this item. Be certain to sign statement in ink as well as type or print name and title of person signing document.

10. It is necessary to complete this item only if the purchaser is not the same as the ultimate consignee shown in Item 1 or if the ultimate consignee is unknown. Be sure to type or print the name of purchaser. This space must be signed in ink by an official of the purchasing firm. The name and title of official or person signing this document must be typed or printed.

11. This item is reserved for use by U.S. Exporter where additions, corrections, or alterations appear on the form.

PLEASE TEAR THIS FLAP OFF BEFORE  
SUBMITTING FORM TO THE  
OFFICE OF EXPORT CONTROL

**6. Specific use (Check and complete appropriate boxes.)**  
The specific use of the commodities listed in Item 3 will be:  
a. ☐ Resale by us in the form in which received.  
b. ☐ Production or manufacture by us of \_\_\_\_\_  
in \_\_\_\_\_ and distribution in \_\_\_\_\_  
Name of country or countries \_\_\_\_\_ Name of country or countries \_\_\_\_\_  
c. ☐ Other specific end use by us \_\_\_\_\_

**7. Additional information (Any other material facts which will be of value in considering applications for licenses covered by this statement.)**  
\_\_\_\_\_

**8. Assistance in preparing statement (Names of persons other than employees of consignee or purchaser who assisted in the preparation of this statement.)**  
\_\_\_\_\_

**9. CERTIFICATION OF ULTIMATE CONSIGNEE (This item is to be completed by the ultimate consignee only.)**  
We certify that all of the facts contained in this statement are true and correct to the best of our knowledge and belief and we do not know of any additional facts which are inconsistent with the above statement. Except as specifically authorized by the United States Export Regulations, or by prior written approval of the United States Department of Commerce, we will not re-export, resell, or otherwise dispose of any commodities listed in Item 3 above: (1) to any country not approved for export as brought to our attention by means of a Bill of Lading, commercial invoice, or any other means; or (2) to any person if there is reason to believe that it will result, directly or indirectly in disposition of the commodities contrary to the representations made in this statement or contrary to United States Export Regulations.  
\_\_\_\_\_  
Date of signing \_\_\_\_\_  
Type or \_\_\_\_\_  
Print \_\_\_\_\_  
Signature of official of firm named in Item 1 \_\_\_\_\_  
Name and title of person signing this document \_\_\_\_\_

**10. CERTIFICATION OF PURCHASER (This item is to be completed only (1) where the purchaser is not the same as the ultimate consignee or (2) where the ultimate consignee is unknown.)**  
We certify that all of the facts contained in this statement are true and correct to the best of our knowledge and belief, and we do not know of any additional facts which are inconsistent with the above statement. Except as specifically authorized by the United States Export Regulations, or by prior written approval of the United States Department of Commerce, we will not re-export, resell, or otherwise dispose of any commodities listed in Item 3 above: (1) to any country not approved for export as brought to our attention by means of a Bill of Lading, commercial invoice, or any other means; or (2) to any person if there is reason to believe that it will result, directly or indirectly in disposition of the commodities contrary to the representations made in this statement or contrary to United States Export Regulations.  
\_\_\_\_\_  
Date of signing \_\_\_\_\_  
Type or \_\_\_\_\_  
Print \_\_\_\_\_  
Signature of official of firm \_\_\_\_\_  
Name and title of person signing this document \_\_\_\_\_

**11. CERTIFICATION FOR USE OF UNITED STATES EXPORTER (certifying that any correction, addition, or alteration on this form was made prior to the signing by the ultimate consignee or purchaser in Items 9 or 10.)**  
(If we certify that no correction, additions, or alterations were made on this form by us (us) after the form was signed by the (ultimate consignee) (purchaser).)  
\_\_\_\_\_  
Date of signing \_\_\_\_\_  
Type or \_\_\_\_\_  
Print \_\_\_\_\_  
Signature of person authorized to certify for exporter \_\_\_\_\_  
Name and title of person signing \_\_\_\_\_

The making of any false statement, the concealment of any material fact, or failure to file required information may result in denial of participation in United States exports. Material or Governmental certification is not required.

# REGULATION OF EXPORTS

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## UNITED STATES IMPORT CERTIFICATE

Form Approved: Budget Bureau No. 41-81398.2 - Modèle approuvé: Bureau du Budget No. 41-81398.2

Form PC-824 (10-24-55) <sup>1</sup> UNITED STATES OF AMERICA (ETATS-UNIS D'AMERIQUE) DEPARTMENT OF COMMERCE (MINISTERE DU COMMERCE) BUREAU OF FOREIGN COMMERCE (BUREAU DU COMMERCE EXTERIEUR)		<b>FOR OFFICIAL USE ONLY</b> (Réserve au service administratif)	
<b>IMPORT CERTIFICATE</b> (CERTIFICAT D'IMPORTATION) (Declaration of Destination on Selected U. S. Imports) (Déclaration de Destination concernant l'importation aux Etats-Unis de certains Produits sélectionnés)		Import Certificate No. (Certificat d'importation No.)	
1. Name of U. S. importer or principal in the transaction Address (Street, City, Zone, State)		Not valid unless official seal of Department of Commerce appears in this space. (Not valid unless official seal of Department of Commerce is affixed in this space.)	
2. Foreign exporter's name and address (Nom et adresse de l'exportateur étranger)		Hand instructions on the reverse side before completing and submitting this form. (Lire les instructions au verso avant de remplir et de présenter la présente formule.) This certificate not acceptable to the Foreign Government unless presented within 90 days from date of certification by Department of Commerce official. (Le présent certificat ne sera pas accepté par le gouvernement étranger intéressé à moins d'être présenté dans les 90 jours qui suivront la date de la certification donnée par le fonctionnaire compétent du Ministère du Commerce.)	
3. Country of exportation (Pays d'exportation)			
4. Commodities to be imported (Produits devant être importés)			
Quantity (Quantité) (a)	Commodity description (See Special Instructions for Item 4) (Consultez les instructions spéciales pour l'item 4) (b)	U.S.I.D. ANNO. NUMBER	Total price and point of delivery (Prix total et lieu de livraison) (c)
SPECIMEN			
5. Representation and undertaking of U. S. importer or principal The undersigned hereby represents that he has undertaken to import into the United States of America under a U. S. Consumption Entry or U. S. Warehouse Entry the commodities in quantities described above, or, if the commodities are not so imported into the United States of America, that he will not divert, transship, or reexport them to another destination except with explicit approval of the Bureau of Foreign Commerce. The undersigned also undertakes to notify the U. S. Department of Commerce immediately of any changes of fact or intention set forth herein. If a delivery verification is required, the undersigned also undertakes to obtain such verification and make disposition of it in accordance with such requirement. Déclaration et engagement de l'importateur ou du commissionnaire des Etats-Unis Le soussigné déclare par les présentes qu'il a pris l'engagement d'importer aux Etats-Unis d'Amérique, en vertu d'une Déclaration d'Entrée de Consommation, ou d'une Déclaration d'Entrée de Magasin, les quantités de produits ci-dessus, et que, dans le cas où ces produits ne seraient pas ainsi importés aux Etats-Unis d'Amérique, il ne les détournera, ne les transbordera, ni ne les réexportera à destination d'un autre lieu, et ce sans avoir l'approbation formelle du Bureau of Foreign Commerce. Le soussigné prend également l'engagement d'aviser le Ministère du Commerce des Etats-Unis de tous changements survenus quant aux faits ou à l'intention énoncés dans la présente déclaration. Si demande est faite d'une confirmation de la livraison, le soussigné prend également l'engagement d'obtenir cette confirmation et d'en disposer de la manière prescrite par cette demande.			
Type or Print (Prêt ou d'écriture à la machine ou en caractères d'imprimerie) Name of Firm or Corporation (Nom de la firme ou de la société)		Type or Print (Prêt ou d'écriture à la machine ou en caractères d'imprimerie) Name and Title of Authorized Official (Nom et titre de l'agent ou employé autorisé)	
Signature of Authorized Official (Signature de l'agent ou employé autorisé)		Date of Signature (Date de la signature)	
<b>FOR OFFICIAL USE ONLY (Réserve au service administratif)</b>			
Certification: This is to certify that the above declaration was made to the U. S. Department of Commerce through the undersigned designated official thereof and that a copy of this certificate is placed in the official files.		Certification: Il est certifié par les présentes que la déclaration ci-dessus a été faite au Ministère du Commerce des Etats-Unis par l'intermédiaire du fonctionnaire compétent soussigné de ce Ministère et qu'une copie de ce certificat a été placée dans les archives officielles.	
Date (Date)		Designated Commerce Official (Fonctionnaire compétent du Ministère du Commerce)	

ORIGINAL COPY

Comm-DC 36956

<b>FORM FC-827</b> <b>(REV. 10-28-58)</b>		<b>U.S. DEPARTMENT OF COMMERCE</b> <b>BUREAU OF FOREIGN COMMERCE</b>	
<b>IMPORT CERTIFICATE</b> <b>CROSS-REFERENCE CARD</b>			
<b>(To be submitted by U.S. importers in connection with Import Certificate)</b> <b>(Declaration of Destination on Selected U.S. Imports) (Form FC-826)</b>			
<b>NAME OF U.S. IMPORTER</b>		<b>RESERVED FOR OFFICIAL USE</b>	
<b>STREET ADDRESS</b>		<b>NUMBER</b>	
<b>CITY, ZONE, AND STATE</b>		<b>DATE</b>	

UNITED STATES DELIVERY VERIFICATION

Form Approved, Budget Bureau No. 41-R1551-4

FORM PC-908  
FORM DSP-68  
(11-1-63)

U.S. DEPARTMENT OF COMMERCE  
BUREAU OF  
INTERNATIONAL COMMERCE

U.S. DEPARTMENT OF STATE  
OFFICE OF  
MUNITIONS CONTROL

U.S. BUREAU OF CUSTOMS

DELIVERY VERIFICATION

Instructions - When required to obtain a Delivery Verification, the U.S. importer shall submit this form in duplicate, for certification to the Collector of Customs. U.S. importer is required to complete all items on this form except the portion marked "For Official Use Only." The Collector of Customs will certify a Delivery Verification only after the importation has been delivered to the U.S. importer. The duly certified form shall then be dispatched by the U.S. importer to the foreign exporter or otherwise disposed of in accordance with instructions of the exporting country.

PORT OF

THIS CERTIFICATION APPLIES to the following goods shown on:

☐ Import Certificate No. \_\_\_\_\_

☐ Declaration of Destination on Foreign Exports of Munitions Items No. \_\_\_\_\_

(A) EXPORTED FROM (Name of country)

(B) BY (Name and address of exporter)

(C) WERE IMPORTED BY (Name and address of importer)

(D) ARRIVED (Name of port)

(E) DATE OF ARRIVAL

(F) NAME OF SHIP, AIRCRAFT, OR CARRIER

(G) NUMBER AND KINDS OF PACKAGES	(H) DESCRIPTION OF GOODS	(I) NET QUANTITY	(J) TOTAL VALUE AND TERMS OF DELIVERY
SPECIMEN			

ENTERED ON

ENTRY NO.

DATE OF ENTRY

☐ WAREHOUSE ENTRY

☐ CONSUMPTION ENTRY

(Custom's Seal)

These commodities have been brought under the export control regulations of the United States, GIVEN under my hand and seal of office, at the customhouse, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

Acting Deputy Collector

USCOM-DC 31627-P63

Form Approved: Budget Bureau No. 41-R1442.6

FORM 1A-863 (2-63)  <b>U. S. DEPARTMENT OF COMMERCE</b> <b>BUREAU OF INTERNATIONAL COMMERCE</b> <b>OFFICE OF EXPORT CONTROL</b>  <b>NOTIFICATION OF</b> <b>DELIVERY VERIFICATION REQUIREMENT</b>		Date _____  Case No. _____  Applicant's Reference No. _____  Import Certificate No. _____  In reply refer to: 8544		
<b>IMPORTANT NOTICE</b> <b>LICENSEE:</b> You are required to provide the Office of Export Control with a document verifying the delivery of each shipment made against the attached license issued in connection with the above case. For your information, instructions on what you must do about obtaining and submitting Delivery Verification documents will be found on the reverse side of the Duplicate Copy of this form. <b>AGENT OR FREIGHT FORWARDER:</b> When this Form 1A-863 is attached to a license which has been forwarded by the Office of Export Control to an agent or freight forwarder of the licensee, it is the responsibility of the agent or freight forwarder to notify the licensee that verification of delivery is required for exports made against the license.				
Check Item 1, 2, or 3, as applicable, and complete Item 4. The ORIGINAL of this form must be returned to the Office of Export Control, ATTN: 8544 as soon as you have received all delivery verification documents for shipments made against the attached license. (See paragraph A3 on the back of the Duplicate Copy.)				
<table border="0"> <tr> <td style="vertical-align: top;">           1. <input type="checkbox"/> The total quantity authorized for export by this license has been exported and all delivery verification documents are attached hereto.             2. <input type="checkbox"/> A part of the quantity authorized for export by this license will not be exported. Delivery verification documents covering all commodities exported are attached hereto.         </td> <td style="vertical-align: top;">           3. <input type="checkbox"/> No shipment has been made against this license and none is contemplated.             4. The license is:                a. <input type="checkbox"/> Returned herewith for cancellation.                b. <input type="checkbox"/> On deposit with Collector of Customs or Postmaster located at:                                Port or City _____         </td> </tr> </table>			1. <input type="checkbox"/> The total quantity authorized for export by this license has been exported and all delivery verification documents are attached hereto.  2. <input type="checkbox"/> A part of the quantity authorized for export by this license will not be exported. Delivery verification documents covering all commodities exported are attached hereto.	3. <input type="checkbox"/> No shipment has been made against this license and none is contemplated.  4. The license is: a. <input type="checkbox"/> Returned herewith for cancellation. b. <input type="checkbox"/> On deposit with Collector of Customs or Postmaster located at: Port or City _____
1. <input type="checkbox"/> The total quantity authorized for export by this license has been exported and all delivery verification documents are attached hereto.  2. <input type="checkbox"/> A part of the quantity authorized for export by this license will not be exported. Delivery verification documents covering all commodities exported are attached hereto.	3. <input type="checkbox"/> No shipment has been made against this license and none is contemplated.  4. The license is: a. <input type="checkbox"/> Returned herewith for cancellation. b. <input type="checkbox"/> On deposit with Collector of Customs or Postmaster located at: Port or City _____			
Remarks: _____   				
Print or type name of licensee	Print or type name and title of authorized representative			
Date signed	Signature of authorized representative			

(See Instructions on reverse side of Duplicate Copy)

ORIGINAL

Form Approved; Budget Bureau No. 41-R1011

<b>FORM FC-988</b> (8-18-63)		<b>U.S. DEPARTMENT OF COMMERCE</b> <b>BUREAU OF INTERNATIONAL COMMERCE</b> <b>OFFICE OF EXPORT CONTROL</b>	
<b>STATEMENT BY ULTIMATE CONSIGNEE IN SUPPORT OF PROJECT LICENSE APPLICATION</b>			
<p style="text-align: center;"><b>INSTRUCTIONS</b></p> <p>THIS FORM TO BE USED ONLY BY A FOREIGN CONSIGNEE IN SUPPORT OF A PROJECT LICENSE APPLICATION FILED BY A UNITED STATES EXPORTER. This form must be submitted by the foreign consignee named in item 1 to the United States exporter named in item 2 who will forward it to the Office of Export Control. The signature required in item 5 must be that of a responsible official who is authorized to bind the ultimate consignee to the commitments made in this statement.</p>			
<b>1. Ultimate Consignee</b> Name _____  Street and number _____  City and country _____  Reference No. (if desired) _____		<b>2. United States Exporter</b> Name _____  Street and number _____  City, zone and State _____	
<b>3. Request</b>  I (We) request that this statement be considered a part of the project license application filed by the United States exporter named in item 2 above for export to me (us) of the <input type="checkbox"/> commodities <input type="checkbox"/> technical data described in such application during the validity period of the project license. The nature of my (our) business is _____ _____ . My (Our) business relationship with the United States exporter named in Item 2 is _____ _____ (contractual, franchise, subsidiary, etc.) and I (we) have had this business relationship for _____ years.			
<b>4. Detailed description of project (include as attachment to this form).</b>			
<b>5. Certification</b> I (We) hereby certify that the <input type="checkbox"/> commodities <input type="checkbox"/> technical data imported for use in connection with the project will not be disposed of or used for any other purpose than that described in the attached description of the project and will not be reexported without approval of the Office of Export Control.			
Sign here in ink _____  Type or print _____		Date of signing _____  Signature of official of firm named in Item 2 (see above instructions) _____  Name and title of person signing this statement _____	

USC OMW-DC 30590-P83





<b>Form FC-143</b> <small>(4-1-68)</small> U.S. DEPARTMENT OF COMMERCE BUREAU OF INTERNATIONAL COMMERCE OFFICE OF EXPORT CONTROL	<b>1. NAME AND ADDRESS OF U.S. EXPORTER</b> NAME OF FIRM	
<b>REQUEST FOR AUTHORIZATION TO DISTRIBUTE UNITED STATES ORIGIN COMMODITIES STOCKED ABROAD TO APPROVED CUSTOMERS</b>	STREET AND NUMBER	
	CITY	STATE
	REFERENCE NUMBER (If desired)	
<b>INSTRUCTIONS:</b> All items on this form must be completed. The signature required in Item 7 must be that of an official of the exporting firm. This form shall be submitted in six copies to: U. S. Department of Commerce Bureau of International Commerce Office of Export Control Washington 25, D.C.	INDICATE EARLIER TERMINATION DATE (If desired)	
<b>2. REQUEST - I (We)</b> request that this statement be considered a part of every application for export license submitted to the Office of Export Control during the period ending on June 30 of next year, or on (specify termination date) _____ covering shipments by me (us) in accordance with the certification set forth in Item 7, of commodities described in Item 5 which, will be either: (a) stocked at (specify location) _____ for distribution by the distributor named in Item 3, or (b) shipped directly from the United States.	STREET, CITY AND COUNTRY WHERE COMMODITIES ARE TO BE STOCKED	
<b>3. NAME AND ADDRESS OF DISTRIBUTOR</b> (Street and number, City and country)	<b>4. NATURE OF BUSINESS RELATIONSHIP WITH DISTRIBUTOR NAMED IN ITEM 3</b>	
	(Check appropriate box and complete) <input type="checkbox"/> SUBSIDIARY <input type="checkbox"/> AFFILIATE <input type="checkbox"/> BRANCH <input type="checkbox"/> OTHER (Describe below)	
	STATE PERCENTAGE OF YOUR OWNERSHIP OF THE DISTRIBUTOR	
<b>5. COMMODITY DESCRIPTION</b> (Describe fully)		
<b>6. COMMENTS</b> (Add any additional pertinent facts relating to the distributor or nature of business not forth in Items 2 and 4 above)		

PLEASE CONTINUE FORM ON REVERSE

USCOM-DC 43809-P43

## 7. CERTIFICATION

I (We) certify that:

a. I (We) and our distributor named in Item 3 above will stock the commodities described in Item 5 above within

\_\_\_\_\_ for distribution,

(country where commodities are to be stocked)

reexportation, or sale in that country, or in other countries, exclusively to customers approved by the Office of Export Control, or will supply these commodities directly from the United States to these approved customers upon instructions of the distributor to fill an urgent or specialized requirement. These commodities will in no case be distributed, reexported, sold or otherwise disposed of to any person in any country where there is reason to believe that the commodities will be reexported to a destination not authorized by the Office of Export Control.

b. Under no conditions will the commodities described in Item 5 be distributed directly or indirectly to ~~(including Denmark), Cuba or any Subgroup A country unless~~ <sup>(Country Group W, Y, or Z)</sup> specifically authorized by the Office of Export Control.

c. I (We) and our distributor have obtained or shall obtain from each customer for the commodities described in Item 5, six completed copies of Form FC-243 and shall submit these Forms FC-243 to the Office of Export Control in support of this Form FC-143. In no case will distribution be made to any person or firm until a validated Form FC-243 is returned to me (us) from the Office of Export Control for that person or firm or until specific authorization is received from the Office of Export Control. In addition, wherever applicable, I (we) shall obtain a Swiss Blue Import Certificate or a Yugoslav End-Use Certificate showing the United States as country of origin for the exportation or reexportation to these destinations.

d. I (We) and our distributor shall retain for a period of three years from the date of validation or rejection the returned copies of this Form FC-143 and all Forms FC-243. The original copies of any Swiss Blue Import Certificate or Yugoslav End-Use Certificate and any other records regarding the distribution or direct exportation of the above described stocks shall be retained by the distributor for three years from the date of the distribution or exportation. One copy of each Form FC-243 shall be retained at the office from which distribution from the foreign-based stock is controlled. These forms and records shall be made available for inspection upon demand by the Office of Export Control or a United States Foreign Service Post, or other accredited representative of the United States government.

e. All of the facts contained in this statement are true and correct to the best of our knowledge and belief and I (we) do not know of any additional facts which are inconsistent with the above statement. A supplemental statement will be sent to the Office of Export Control for its approval, disclosing any change of facts or intentions set forth in this statement which occurs after the statement has been prepared and forwarded.

SIGNATURE OF OFFICIAL OF FIRM NAMED IN ITEM 1

DATE SIGNED

PRINT  
OR  
TYPE

NAME OF PERSON SIGNING THIS DOCUMENT

TITLE

The making of any false statement or the concealment of any material fact or failure to file required information may result in denial of participation in United States exports. Notarial or Governmental certification is not required.

DO NOT WRITE BELOW THIS LINE - FOR OFFICIAL USE ONLY

NOT APPROVED UNLESS THE OFFICIAL VALIDATION STAMP  
APPEARS HEREON

ACTION TAKEN BY UNITED STATES DEPARTMENT OF COMMERCE

☐ APPROVED

EXPIRATION DATE

☐ REJECTED

United States Department of Commerce  
Bureau of International Commerce  
Office of Export Control  
Washington 25, D.C.

(Date)

## REGULATION OF EXPORTS

FORM PC-343 9-63 U.S. DEPARTMENT OF COMMERCE BUREAU OF INTERNATIONAL COMMERCE OFFICE OF EXPORT CONTROL  <b>MULTIPLE TRANSACTIONS STATEMENT BY CUSTOMER OF            DISTRIBUTOR OF UNITED STATES COMMODITIES            STOCKED ABROAD</b>		Form Approved, Budget Bureau No. 41-R7079 <b>1. NAME AND ADDRESS OF CUSTOMER OF DISTRIBUTOR</b>	
		NAME	
		STREET AND NUMBER	
		CITY	
REFERENCE (If desired)		COUNTRY	
<b>INSTRUCTIONS</b> - This form must be submitted in six copies to the distributor named in Item 2 below by the customer of this distributor. Only Items 1 through 9, inclusive, are to be completed by the customer of the distributor. Item 10 is to be completed by the United States exporter. In all cases, the signatures required must be those of responsible officials who are authorized to bind the firms for which they sign. If more space is needed, attach an additional copy of this form or sheet of paper signed as required in Items 9 and 10. The information furnished herewith is to be used in connection with an application for a license from the United States Government for the export of United States commodities.			
<b>2. REQUEST</b>		I (We) request that this statement be considered a part of every order for the commodities shown in Item 3 below, placed with _____ (Distributor with whom we have placed or may place an order) for distribution to me (us) of the commodities described in this statement, during the period ending June 30, of next year. Show earlier termination date here, if desired _____ (Do not enter date later than June 30 of next year)	
<b>3. COMMODITIES</b>		I (We) have placed, or will place, orders with the distributor named above for the following commodities: COMMODITY DESCRIPTION (Describe fully)	
<b>4. NATURE OF BUSINESS AND RELATIONSHIP WITH DISTRIBUTOR NAMED IN ITEM 2 (Complete both A and B)</b>		a. Nature of my (our) usual business is: (Brokerage, sales agency, manufacturing, wholesale trade, retail trade, etc.) _____ b. My (our) business relationship with the distributor is: (Contractual, franchised, and exclusive sales agency, a continuing and regular individual - transaction business, etc.) _____	
		I (We) have had this business relationship for: (No. of years) _____	
<b>5. DISPOSITION OF COMMODITIES</b>		(Check and complete the appropriate box.) I (We) certify that the commodity or commodities listed in Item 3 <input type="checkbox"/> will not be sold for use outside the country named in Item 1. <input type="checkbox"/> may be reshipped in the form received to _____ (Name of country or countries)	
<b>6. SPECIFIC USE</b>		(Check and complete the appropriate boxes.) The specific use of the commodities listed in Item 3 will be: <input type="checkbox"/> Resale by me (us) in the form in which received. <input type="checkbox"/> Production or manufacture by me (us) of _____ (Name of final products) in _____ (Name of country or countries) and distribution in _____ (Name of country or countries) <input type="checkbox"/> Other specific end use by me (us) _____	

7. Additional information (Any other material facts which will be of value in considering this statement.)		
8. Assistance in preparing statement (Names of persons other than employees of firm named in Item 1, who assisted in preparing this statement.)		
9. CERTIFICATION OF CUSTOMER OF DISTRIBUTOR (This section is to be completed by the distributor of the commodities.)	I (We) certify that all of the facts contained in this statement are true and correct to the best of my (our) knowledge and belief and I (we) do not know of any additional facts which are inconsistent with the above statement. I (We) shall promptly send a supplemental statement to the distributor named in Item 2, disclosing any change of facts or intentions set forth in this statement which occurs after the statement has been prepared and forwarded. Except as specifically authorized by the United States Export Regulations, I (we) will not reexport, sell, distribute, or otherwise dispose of any commodities covered by this statement without obtaining prior written United States Government approval; nor will any of these commodities be sold or otherwise disposed of to any person where there is reason to believe that the commodities will be reexported to a destination not authorized by the Office of Export Control.	
	SIGNATURE OF OFFICIAL OF FIRM NAMED IN ITEM 1 (See instructions on front of form) (Sign here in ink)	
10. REQUEST AND CERTIFICATION OF UNITED STATES EXPORTER (This section is to be completed by the United States exporter.)	I (We) request that the customer named in Item 1 above be approved pursuant to the Form FC-243 procedure and in accordance with the Form FC-143 submitted by me (us) on _____ (Date) _____ Validation Number _____ (Enter if available)	
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		Date

Secretary BALL. Thank you, Mr. Chairman.

The Export Control Act regulations, for example, require foreign companies to provide detailed information on the nature of their business, the nature of their customers' business, the proposed disposition of commodities obtained from the United States, the use of the commodities, and specific certifications that the foreign firms will not dispose of listed commodities to any countries not approved for export.

There are numerous other similar U.S. regulations requiring foreign firms and governments to provide information and we request and we receive substantial amounts of additional information that these firms and governments are not required to furnish by our regulations, simply as a matter of cooperation with us.

All of this information is essential to make our economic restrictions against trade with Communist countries effective.

Now, in our judgment, Mr. Chairman, if H.R. 627 were adopted, it could well provide a justification for foreign governments to refuse to provide this type of information and to prohibit their domestic concerns from doing so.

May I say that no economic denial legislation or boycott legislation which tends to interfere with the free flow of commerce is ever very popular and we have spent a great deal of time building up the cooperation of foreign governments to encourage their firms to provide the information that we need.

Consequently, we would be very reluctant to see the U.S. Congress pass legislation which would restrict U.S. firms from cooperating with foreign governments even though we do not sympathize with the reason underlying the kind of embargo or restrictive legislation which those foreign governments are applying.

I think the consequences of legislation of this kind could be to do great damage to our economic denial programs by sharply restricting our ability to enforce them. This could have particularly serious consequences with respect to our sanctions against trade with Cuba. I seriously doubt whether these sanctions could be as effective as they are now were foreign firms and governments to cease their cooperation with us, and any weakening of our economic denial program against Cuba would, of course, jeopardize not only our own interests but the interests of the entire Western Hemisphere.

As we are all aware, the main thrust behind this proposed legislation comes from interests that oppose the Arab boycott against Israel. This boycott seeks to strike at Israel by blacklisting firms that do business with it. I need hardly tell this subcommittee that the administration deplores the Arab boycott. It represents an Arab policy that the United States has opposed for many years and that we will continue to oppose. But the administration cannot support this legislation for it would endanger our own programs of economic denial against the Communist countries and particularly Cuba.

For this reason I urge that this subcommittee not approve this measure.

Thank you, Mr. Chairman.

Mr. ASHLEY. Thank you, Mr. Secretary.

I wonder if it would be possible for you to spell out perhaps in a little greater detail the kind of repercussions that you foresee in terms

of our commercial relationships with friendly countries if the proposed legislation in the form of the amendment to the Export Control Act is adopted.

Secretary BALL. The central problem we foresee in it, I suggest, is the impact it would have on the kind of cooperation we are receiving in the enforcement of our own economic denial programs. We have concluded after considerable experience that our economic denial program against Cuba, for example, is of very considerable importance not only to the United States but to the whole Western Hemisphere.

The Cuban economy at the moment is, I think I can say quite categorically, in a mess. And to a considerable extent the problems which the Cuban economy is facing arise not merely from the ineptitude of the management which has been applied to that economy but also from the fact that historically Cuba has depended to a very high degree on imports from Western countries, from free-world countries. If I recall, Mr. Chairman, something like 30 percent of the Cuban national product, gross national product, in the period before the Castro regime, consisted of imports from foreign countries, so that the ratio is extremely high.

For that reason the program has been more effective than it would have been if it hadn't been an island economy so heavily dependent on imports.

We want to maintain this program. To do it we have not merely to deal with our own companies, our own domestic interests, but we have to find out what is going on in order to avoid the diversions of goods to Cuba and we have to take a number of measures that are essential to the effective carrying out of this.

Now, as I suggested a moment ago, no economic denial program is ever popular in the world trading community, and for quite valid reasons because they do interfere with free commerce. And consequently, we have had to expend a great deal of diplomatic effort in trying to persuade other countries to encourage their own industries to help us out, to be cooperative with us, because the kind of sanctions that we can apply to foreign countries, as you can understand, are indirect and very difficult to apply.

What we fear from this legislation, and I think very legitimately fear from it, is that this would provide the basis for other nations with quite clear conscience looking at the example of the United States to enact this kind of legislation which would tend to be highly popular with their own industrial communities. The consequences would be that we would find ourselves with our sources of information and of assistance dried up, and in a very difficult position indeed so far as the effective carrying out of these programs which we regard as of considerable importance in continuing the isolation of Cuba and preventing it from becoming a greater source of Communist infection in the Western Hemisphere.

Mr. ASHLEY. What you are saying, I take it, is that our economic denial programs are really backed up by persuasion, based upon persuasion as the instrument by which they are intended to work.

Secretary BALL. Well, they have two aspects, Mr. Chairman. So far as our own firms are concerned, of course, we do have some direct sanctions that we can apply, but that wouldn't be sufficient if other

firms in other countries simply provided conduits whereby goods could be channeled into Cuba without our knowing anything about it.

So that what is necessary is persuasion on foreign governments to encourage their own industry to cooperate with us, which they have done, I may say, to a very high degree. And at the same time, we must exercise persuasion on them to restrict their own trade with Cuba. This too, we have also succeeded in achieving within limits. We don't want to do anything that interferes with this process.

Mr. ASHLEY. And it is your testimony that our efforts in this regard through CoCom and the 15 nations participating in that agreement would be watered down, the effectiveness of the thrust of the CoCom agreement would be jeopardized were this to be adopted.

Secretary BALL. Yes, Mr. Chairman, I think not only CoCom but also the cooperation that we get in the other programs which are not part of the Coordinating Committee arrangements but which are equally important to us.

Mr. ASHLEY. Let me ask you this, Mr. Secretary, We have a policy which is a perfectly understandable one because American firms are being asked for information. It has nothing to do with the particular commercial transaction in which the American firms are seeking to venture. And in some instances quite clearly it has been made clear to American firms that if they wish to deal commercially with Israel, that they will be persona non grata as far as the Arab countries are concerned.

Other countries I assume have the same problem. Would you know, for example, whether—the extent to which Great Britain, France, other countries have sought to answer this problem?

Secretary BALL. Well, the best of our information, Mr. Chairman, no other country has tried to answer it through legislation.

Mr. ASHLEY. In other words, what they seek to do is essentially what we do which is not simply to turn our heads away from the boycott and the blacklisting of American firms that do deal commercially with Israel, but to cope with the problem on a more ad hoc informal basis.

Secretary BALL. Case by case, through diplomatic interchanges with the Arab countries trying to use persuasion and what other instruments of influence we may have to modify or ameliorate the effects of the boycott.

Mr. ASHLEY. And to what extent have these proved effective in your judgment, Mr. Secretary?

Secretary BALL. I think that the boycott has not been very effective. If one looks at the Israel trade figures this is borne out. Israel exports and imports alike have been very substantially increasing in the face of this boycott. We do have to deal from time to time with some very difficult cases, but we have had experience in being able to work them out to at least partial satisfaction and in our judgment the best way to handle this is to continue to pound away at the individual case as it arises and to use the best diplomatic instruments that we have to try to bring about a modification and amelioration of this boycott.

Mr. ASHLEY. The real test as to the effectiveness I am sure you would agree would be the number of American firms that have been able successfully to enter into commercial transactions with both the Arab countries and Israel.

Secretary BALL. There are a great number of American firms that continue to do business both with the Arab countries and with Israel and I think one of the considerations that this committee should take into account is that if this becomes a big issue in which the U.S. Government is passing legislation and which is a direct challenge to the boycott, that we may make more of it than the facts deserve and in fact it may result in a response which will make it even more difficult for American firms.

Mr. ASHLEY. Mr. Halpern?

Mr. HALPERN. Yes, Mr. Chairman.

First, I want to commend the Under Secretary for taking the time out to give us the benefit of his views on this proposed amendment.

Now, Mr. Secretary, I am convinced that this is not a matter of foreign policy as such, but that it is a commercial matter and that the aggrieved parties are not the Arabs or the Israelis. To me they are the American businessman, and for 15 years little if anything has been done for them.

Now, Mr. Secretary, surely—and this is important—you are not comparing the Arab boycott against countries trading with Israel, with those who persist in trading with Cuba and North Vietnam. To do so is to imply that Israel is an aggressor in the same sense as is obviously the case with Cuba and North Vietnam, is it not?

Secretary BALL. Mr. Halpern, I was not suggesting, of course, that the motivations that lay behind these boycotts were comparable. I was addressing myself to the very practical consequences that we fear from the passage of this legislation. And I would, sir, like to say that I can't agree with you that nothing has been done for American business. I can assure you that a very great part of our efforts in the Department of State is to assist American business, wherever it may operate around the world, and that this applies particularly to American business operating in the Middle East.

I think that the experience certainly of the American oil companies would support this testimony. We recently had the problems of the Chase Manhattan Bank in its efforts to deal with this boycott. I think if you asked Mr. Rockefeller or any of the officers of the bank they would tell you that we have worked very closely with them, and have been very helpful to them, and this is true also of smaller firms as well, not simply the big ones.

Mr. HALPERN. Well, in the case of Chase Manhattan, sir, is it not a fact that when the matter did come to the State Department, that Chase Manhattan was told to keep cool and what could be done, would be done? Meanwhile, Chase Manhattan did send emissaries; in fact, Mr. John McCloy himself went to Egypt and did speak to them openly and the matter was somewhat resolved on their own basis, and is it not a fact that Chase Manhattan has been giving credits to Egypt and that the issue here far transcends the Israeli-Arab problem?

Secretary BALL. As far as Chase Manhattan is concerned, we worked extremely closely with Mr. Rockefeller and Mr. McCloy on that matter. We gave them the best advice we could give them as to the course that could be followed. They themselves preferred to try to work some arrangements out on their own. We encouraged them in this course because in our judgment, this offered the best chance of success.

But at every point constantly we were in touch with them. We gave them diplomatic assistance. We worked very quietly in trying to reinforce what they were doing through their own efforts and, I think, if you asked either of those gentlemen whether he received the kind of cooperation from the State Department that he would like to have received, he would tell you that he received excellent cooperation.

Mr. HALPERN. But not all American business is in the same category as Chase Manhattan.

Secretary BALL. No. But I said a moment ago that we have worked just as diligently for small firms as we have for big ones.

Mr. HALPERN. Can you name any small firms with which the State Department has been instrumental—

Mr. TALBOT. Yes, sir. We have been dealing with these issues as they have been raised with us by American companies of any size.

Mr. HALPERN. But individually, not as a policy vis-a-vis of the Arab States.

Mr. TALBOT. We have been dealing with individual requests from American companies for assistance when they do want to take care of a matter of boycott.

Mr. HALPERN. But has anything been done diplomatically or otherwise with the Arab States to try to get them to remove this boycott and the great impracticalities?

Mr. TALBOT. We have for many years discussed the boycott problem with the Arab States. We have made clear our opposition to their approaches and diplomatically we have worked, as I have suggested, on individual cases as they have been brought to our attention by American companies.

Mr. HALPERN. It has been brought out here this morning by Under Secretary Ball and in the letter from the Assistant Secretary of State MacArthur dated April 28, which has been referred to by the chairman, that one of the main arguments against this proposed amendment is that it would prohibit action—this is a direct quote from the letter of April 28—"prohibit actions which we ourselves must practice in enforcing U.S. legislation regarding trade with Cuba and other countries."

Now, I certainly feel that there is a very real difference between the Arab boycott and our trade policy regarding Cuba.

Now, does the Department really contend that these two practices are similar?

Secretary BALL. What I suggested, Mr. Halpern, was that the passage of this legislation would have certain practical effects which in our judgment would be very harmful to the carrying out of our own programs of economic denial.

Now, this doesn't mean at all, as I tried to make quite clear, that we regard these as on the same footing or inspired by the same motives. But the fact is that we deal with a world where we have to be very pragmatic and very practical. I can tell you this morning what in our judgment would be the practical consequences of this legislation and I don't think they would be good and this is what I am urging the committee to consider.

Mr. HALPERN. But is it not true that the U.S. trade restrictions are applied only directly to U.S. citizens, U.S. companies, and U.S.

originating goods? The Arab boycott applies restrictions against third parties. U.S. trade controls are limited to U.S. resources.

For instance, just because Britain sells goods to Cuba and Red China, we do not refuse to deal with Britain, but this is exactly what the Arab boycott does to the United States. Isn't there a tremendous difference here?

Secretary BALL. What I was addressing myself to was the question of the kind of cooperation which we are receiving in carrying out our programs.

Now, you say that there is a difference in kind here because the Arab boycott applies to foreign companies. Actually we have the problem which arises in connection with the U.S. subsidiaries of American companies. These subsidiaries are foreign companies organized in foreign countries doing business under the laws of those countries, very often having a majority of directors of foreign nationals, having their managements almost entirely foreign nationals. We deal with this. This is one of the areas where we are in constant negotiation and discussion with foreign governments about the application of our export control legislation.

So that the question here is the question of practical effects, and what I am asking the committee this morning to do is to regard this from the points of view of the results that we hope to achieve.

Now, I can tell the committee from the point of view of our own experience that in our judgment this legislation would interfere rather seriously with the effective carrying out of legislation which we regard as important, our whole economic denial program with Cuba. I am not saying by that that our economic denial program against Cuba is on all fours with this, but I am saying what the practical consequence might be. I think we have to be very realistic about what we are considering here because I am sure that what the committee wants to do is achieve a result which will be useful to the American national interest. I don't think that this would bring such a result.

Mr. HALPERN. Well, I disagree with you, Mr. Secretary. I can't see any interference with our own program and I repeat, I emphasize that the American Government does not apply economic sanctions against friendly governments which trade with unfriendly third parties, and I think that is a basic principle involved here. The U.S. trade restrictions are imposed directly against unfriendly countries such as Communist China and Cuba.

Now, one point you did make and I would like to clear that before my time expires.

You mentioned that you don't feel the boycott is very effective. Well, I feel that it has hurt Israel, Mr. Secretary.

There are U.S. suppliers who avoid the exploitation of market opportunities to Israel because of fears, imagined or real, because it fears a boycott. Israel has encountered obstacles in purchases of some highly sophisticated technical processes from the U.S. firms who would supply them if it were not for fear of reprisals from the Arab boycott organizations, and as the Israeli economy attains high levels of development, it requires licenses, some of which are available only in the United States, and the unwillingness of certain companies to supply them slows the rate of Israel's development.

I believe there is an extremely important point here and I feel it refutes one of the contentions you made today.

Secretary BALL. Well, I would say again, Mr. Halpern, that we don't like this boycott. We never have and we have opposed it as well as we could. But the Israeli rate of development is the highest rate in the area in spite of this boycott, and while the boycott probably had some effect, I suggest that the effect has not really been substantial.

Mr. HALPERN. Another contention, and this was emphasized in the April 28 letter, is that the Department feels that if we enact this amendment we will endanger already existing trade relations with some if not all the Arab States. But at the same time, you stress the point that several Arab countries refused to apply the boycott rigidly.

Then why will this amendment cause such terrific anger in the Arab world?

Secondly, does the Department presently have, through diplomatic channels, any precise information as to what the reaction will be in the several Arab countries?

Secretary BALL. I think I could tell you without having to have a crystal ball that the reaction would be one of considerable anger and of feeling that what they deem, rightly or wrongly—and we are not sympathetic with them—to be in their own interests has been challenged by the United States in its legislation. I think that it is not very difficult to foresee that their reaction would be one of increasing harassment against American companies. I think that this is the form it would take.

Mr. HALPERN. Well, has the Department sounded out any U.S. companies who trade abroad for their reaction to the antiboycott?

Secretary BALL. We have talked with quite a lot of them and I think the reaction of most of them, if I may say, Mr. Halpern, has been that they are very sensitive about taking a public position on this because they don't want to have identified themselves with either side of this argument, because they feel that they might impair their commercial relations, but by and large I don't find much sympathy among them for this legislation.

Mr. HALPERN. Perhaps this question should apply to the Commerce Department representative. I would appreciate your answer to it.

The last quarterly report on the administration of the Export Control Act of 1949 states that one of the purposes of U.S. export controls is "to further the foreign policy of the United States and to aid in fulfilling its international responsibilities."

A paramount objective of the U.S. foreign policy, then, is the establishment of conditions for freer trade among the nations of the free world. Since the ultimate objective of the antiboycott legislation is the removal of certain existing limitations on U.S. trade opportunities abroad, does it not appropriately belong as a statute, as a provision in the Export Control Act?

Secretary BALL. Well, I wouldn't want to comment on whether it is germane to the Export Control Act or not. I think that this is a decision really that the Congress should make. But I would suggest to you that I think this is very much the wrong way to go about furthering the foreign policy interests of the United States or improving the position of American companies around the world.

I don't think this is going to be good for our trade. I think this would be harmful to it.

Mr. HALPERN. That is all for now, Mr. Chairman.

Mr. ASHLEY. Mr. Stephens?

Mr. STEPHENS. Mr. Ball, I appreciate your coming to explain your position, the position of the executive branch of the Government on this.

As I read this from the text of the bill, which says that "Congress further declares that it is the policy of the United States" to do what is proposed by the bill, there is no question that that phrase is an attempt on the part of the legislative branch of the Government to determine the foreign policy of the United States.

Secretary BALL. Absolutely.

Mr. STEPHENS. Do you think that such legislation infringes on the constitutional right of the Chief Executive of this country to set our foreign policy?

Secretary BALL. Well, without trying to pass judgment on the constitutional question, Mr. Stephens, I think it is a matter of appropriateness and wisdom. I think that by and large that declarations of policy by the Congress on foreign policy are things that should be very seriously considered with the President who has the responsibility for the day-to-day conduct of policy. But I personally would doubt the wisdom of a provision of the kind now being considered.

Mr. STEPHENS. Do you feel, then, that this legislation would force us to take sides between two countries, both of which countries are not unfriendly to us? Don't you think it would force us to take sides between two countries, alienating one when it really isn't necessary to alienate either?

Secretary BALL. Well, I think it would undoubtedly have repercussions on the relations that we enjoy with the Arab States, and I don't again in saying this want to imply that we favor or approve of this boycott because we have made it clear that we don't.

But I think that what you are suggesting is correct, that it would appear to the Arab States as a challenge to what they consider is an exercise in carrying out a policy which they think is useful or necessary to them.

Mr. STEPHENS. Then you feel besides the fact that it is not a good policy, that this legislation is an unnecessary governmental interference with private enterprise?

Secretary BALL. I think that its effect will not be good for private enterprise because I think that it won't achieve what it tries to achieve and, in fact, will have a negative effect by interfering with relations of private enterprise with some of the countries with which we do business. So to that extent I would say it is not helpful to private enterprise.

Mr. STEPHENS. That is all I have.

Mr. ASHLEY. Mr. Johnson?

Mr. JOHNSON. Mr. Ball, I, too, want to add my thanks to you and to your associates for coming here today and I realize that you must be very tired from your very busy schedule.

Now, as I understand this proposed legislation, the hope of everybody is that Israel, which is a very fine country and has been established with fine meaning—it is remarkable how certain religious groups in

this Nation are helping to foster and sponsor and further build up this great new nation, and I take it the idea of the legislation is to get the United Arab Republic to stop the boycott against Israel and to establish international good will there and do away with the antagonism against this new nation which apparently wants to be peace loving and wants to make a haven for those of that particular religion who want to go there.

Now, my question is, if we pass this so-called anti-Arab boycott bill, will that have the effect of restoring trade between Egypt and Israel to accomplish the end that we all would like to see accomplished?

Secretary BALL. Mr. Johnson, we have, of course, the closest relations with the State of Israel and a very deep friendship for not only the Government but the people of Israel. And we have deplored this boycott and we continue to do so. But in our judgment this bill would not accomplish the purposes which its sponsors have in mind.

We appreciate the intentions which lie behind it but frankly we think that it would not achieve those purposes and that it would also interfere with some other policies of the United States, particularly in our programs toward Cuba and other Communist countries, which we regard as important to us.

Mr. JOHNSON. Now, we have other punitive legislation on our books in the Nation right now, such as the antiaggressor amendment to the 1963 Foreign Assistance Act.

Now, for instance, we have read in the press where the United Arab Republic has been exporting Communist bloc weapons including SAM antiaircraft batteries to Cyprus and then they have actively participated in aiding the rebels in the Congo. We are talking about Egypt now. And we have in our law an antiaggressor amendment to the 1963 Foreign Assistance Act.

Why hasn't this Nation, with that act on the books, invoked that against Egypt in view of the fact that in the press we find that they have been aiding Cyprus and the rebels in the Congo?

Secretary BALL. The situation in Cyprus, Mr. Johnson, is that the United Arab Republic Government itself has not been helping Cyprus, but rather that the Soviet Union has an agreement with the Government of Cyprus which was made a few months ago when the Foreign Minister of Cyprus went to Moscow. That agreement provided for the acquisition by the Government of Cyprus of some fairly sophisticated weaponry. The weaponry was simply channeled through Egypt as a matter of convenience but it was not provided by the Government of the United Arab Republic itself.

So far as the help which the Government of the United Arab Republic has been giving to the rebels in the Congo, this has been a matter of constant discussion between us. I am under the impression that the United Arab Republic policy is changing and that they themselves have indicated that they are breaking off providing this assistance. This has been a matter, as I say, which we have had under discussion for some time. So that I think that one can say certainly with regard to the Congo that there has been some improvement in the situation. As far as aid to the United Arab Republic is concerned, we did have a program of providing some Public Law 480 assistance.

Mr. Talbot reminds me that there have been no new economic development loans to Egypt since 1963. The aid which we are now pro-

viding is confined to the conclusion of deliveries under Public Law 480 and of previously committed technical assistance and development loan projects.

Actually when this matter came up upon an amendment which was proposed for the CCC deficiency appropriation, we reviewed this matter fully as you may recall with the appropriate committees both on the House and Senate side, and as a result, the Congress did not put a flat prohibition on the Public Law 480 aid to the United Arab Republic. So that this was, I think, fully considered by the House and the Senate then.

I would say that this is a matter which we are very carefully watching, that we are engaged in very careful review with the Egyptian Government of our relations. What the end of that may be I don't know, but this legislation that is before us now, I think if it were enacted, would be a further impediment to trying to achieve not merely with the Government of the United Arab Republic but with the other Arab governments the kind of relationship which could be helpful to American foreign policy.

Mr. JOHNSON. Couldn't you under existing legislation—namely, the 1963 antiaggressor amendment—if you found that Nasser was furnishing arms to the rebels and furnishing arms to Cyprus and invoke the 1963 amendment?

Secretary BALL. Well, let me say, Mr. Johnson, that the way that is drafted, as I recall, the legislation provides that there will be a Presidential determination if any assistance is to be provided. And this whole matter has been one which has been under review with the Egyptian Government not only with regard to such matters as the arms to the Congo but all aspects of our relationship. And we are presently continuing these talks.

Now, I don't know what is going to come from it. Quite frankly I think I should say to this committee that we would like to maintain a presence, an influence in Egypt, a friendly relationship with the Government of Egypt, but to the extent that may be possible because of different policies which the Egyptian Government pursues from those that we find useful, this remains to be seen. The boycott question is only one aspect of a whole range of problems which we have not merely with the Government of Egypt but with the other Arab States and one can't isolate a single policy and deal with it out of context. The real question is whether we can work out the kind of relationship which will enable us to bring about a modification of policies which are harmful to our interests and to bring about a working relationship which can be mutually useful.

And on this I can only say that the discussions are going forward and these matters that you mentioned are all a part of the larger context of the relationships.

Mr. JOHNSON. I think that is all.

Mr. ASHLEY. Mr. St Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Secretary BALL, do you feel that this is basically a commercial issue or would you—or do you think it is basically a foreign policy issue, this particular amendment?

Secretary BALL. I think it has both aspects, Mr. St Germain. I think it will certainly have foreign policy consequences if it is enacted,

some of which I have tried to suggest to this committee this morning. I think it would also have certain commercial consequences which I don't think would be useful, either, to American commercial interests.

Mr. ST GERMAIN. And in essence, Mr. Secretary, whom do you feel—wouldn't you agree that the parties being hurt here are not for the most part the Israel Government or the Arab Government, but the American firms who are affected by this boycott?

Secretary BALL. I think it makes life very difficult for the American firms doing business in the Middle East.

Mr. ST GERMAIN. You are familiar with the *Tecumseh* case.

Secretary BALL. Yes, sir.

Mr. ST GERMAIN. Where they were entering into a contract with an Israel firm and subsequently because of pressures brought on other American firms by the Arab countries, they were forced to disassociate themselves from this particular contract.

Secretary BALL. We are familiar with that case, Mr. St Germain; yes, sir.

Mr. ASHLEY. Will the gentleman yield to me?

Mr. ST GERMAIN. Certainly, Mr. Chairman.

Mr. ASHLEY. Would the pressure have been any less had this legislation been adopted, Mr. Secretary, in that particular case?

Secretary BALL. No; I am sure it wouldn't have been. In fact, as I suggested earlier, I think the effect of this legislation would be the kind of challenge that would probably result in greater harassment rather than less.

Mr. ASHLEY. In a polarization of a situation whereby American commercial firms would really have to make—all American firms would have to make a choice?

Secretary BALL. Right.

Mr. ASHLEY. Thank you.

Mr. ST GERMAIN. I am afraid, Mr. Chairman, that I don't quite understand your conclusion. I didn't get the premises that led up to it. Would you care to expand on that one?

Mr. ASHLEY. Well, the previous testimony of the Secretary simply was that if this legislation is adopted, the response from the Arab countries is going to be such that the result in terms of American-Arab transactions will be that American firms will then have to choose them specifically, definitely, and in each case whether or not they choose to deal with Arab companies or with Israel companies. And in no instance presumably would it be possible for, as one foresees the consequences, American firms to deal commercially in both countries as is presently the situation, at least in some instances.

Secretary BALL. That is correct, sir, in my judgment.

Mr. ST GERMAIN. We also know, Mr. Secretary, of cases where to sort of magnify or concentrate a little more attention on this particular statement, is it not a fact that the Arab countries that are dealing with us aren't that friendly to us, but that they are dealing with our American firms because they need their products and their services?

Secretary BALL. They need the products and services but by and large the products and services are obtainable elsewhere.

Mr. ST GERMAIN. And they share the investments, also.

Secretary BALL. Yes; but again when political considerations and commercial considerations collide in a situation as charged with emo-

tion as this one is, our experience shows that usually it is the political considerations that are overriding. So that I don't think that we can look at these matters in the expectation that they will necessarily be resolved in a very cold, self-interested manner because there is too much emotion in this whole situation.

Mr. ST GERMAIN. Well, where the facts—despite all this emotion in certain instances like Chase Manhattan, was it the Sheraton or the Hilton Hotels and others, where a warning was given and an edict issued, nevertheless, these were ignored by the American firms and subsequently the Arab countries pulled back their edict?

Secretary BALL. Well—

Mr. ST GERMAIN (continuing). Or their warning, and some of these firms continue to operate on both sides of this boycott.

Secretary BALL. That is right. And some of these cases worked out. They have been worked out largely through cooperative efforts between the firms themselves and the Department of State, using the diplomatic instruments available to us.

But what I am suggesting, sir, is that I think that the consequences of this legislation would be to make it more difficult to work out cases of that kind because this bill in effect would be regarded as a challenge by the U.S. Government to the Arab countries in the exercise of what they regard as something that is useful to them.

Mr. ST GERMAIN. Mr. Secretary, I think you are familiar with the letter from the Department of State signed by Senator Robertson—on the Senate side hearings. And in paragraph 2, the last sentence:

"However, it would apply equally to information requested by the Israel Government as to cooperation with the Arab States."

Can you cite evidences of this particular information required? In other words, this appears in essence to say that there is a boycott on the other side also.

Secretary BALL. I don't have that letter before me, Mr. St Germain.

Mr. ST GERMAIN. Well, according to the Senate discussion on S. 948, it is directed at the Arab boycott against Israel and specifically questionnaires requesting businessmen to supply information as to whether they transact business with Israel businesses or firms. However, it would apply equally to information requested by the Israel Government as to cooperation with the Arab States.

Secretary BALL. I have this letter before me now. You ask whether there is an Israel boycott.

Mr. ST GERMAIN. Right.

Secretary BALL. I think what this referred to was the fact that the Israel Government did announce that they were going to ask firms not to trade with certain Arab States if they traded with Israel. I don't think it ever took the form of a boycott as such.

Let me ask Mr. Talbot who is closer to this.

Mr. TALBOT. Mr. St Germain, as I recall, the Israelis announced that they would not do business with certain firms which surrendered to the Arab boycott by refusing to establish certain commercial relations with Israel enterprises and they specifically noted one American firm and some British and German firms in this connection.

Mr. ST GERMAIN. When was that announcement made?

Mr. TALBOT. Several months ago.

Mr. ST GERMAIN. And has this gone into effect?

Mr. TALBOT. As far as I am aware Israel is not doing business with the indicated German or British firms.

Mr. ST GERMAIN. And is this as a result of a questionnaire?

Mr. TALBOT. I am not aware of the details.

Mr. ST GERMAIN. On page 2 of the same letter, the consequences are stated as, No. 1, they would prevent American firms, some of which trade with both Israel and Arab companies, from trading with the Arabs. Now, the discussion that the chairman had with the Secretary, is that what you are—this would be your contention, the manner in which this would be done or this effect would result?

Secretary BALL. Mr. St Germain, what I suggested was that the effect of this legislation would tend to stiffen the Arab States in the application of their boycott and would, since they would regard it as a challenge to the boycott, the probable consequence would be to lead them to apply it in much more rigid fashion, and that would have, therefore, the effect of making it impossible for American firms now doing business both with the Arab States and with Israel to continue to do business with the Arab States.

Mr. ST GERMAIN. Now, as a result of the testimony I have heard and the answers to the questions that you have given, I make this one comment.

It seems to me that the parties aggrieved or that would stand to be aggrieved, in your opinion, on what the consequences might be are not the Arab Government or the Israel Government but essentially our U.S. businessmen.

Secretary BALL. And the United States, in the furtherance of its own foreign policy objectives, because of the consequences on our ability to carry out our own programs of economic denial against the Communist states.

Mr. ST GERMAIN. Nothing further, Mr. Chairman.

Mr. ASHLEY. Mr. Secretary, we are very pleased and indebted to you for being with us. For the rest of the committee, let me say that Secretary Ball has an appointment at the White House at 11:15, and so unfortunately it is not going to be possible for him to continue to respond to the questions which all members of the committee—

Secretary BALL. Mr. Chairman, if the committee would like, Mr. Talbot, who is the Assistant Secretary of State, could remain for any further questioning if that would be agreeable.

Mr. ASHLEY. Yes. We do have with Secretary Ball, Assistant Secretary of State for Middle East and South Asian Affairs Mr. Phillips Talbot, and in the Secretary's absence he will continue to supply testimony at this time.

So, Mr. Secretary, I don't like to press you, but I know that you are pressed. We will excuse you at this time with the thanks of the committee.

Secretary BALL. Thank you very much, Mr. Chairman.

Mr. ASHLEY. And let the record show, too, that Ambassador MacArthur was present, and we appreciate your presence, too, Mr. Ambassador.

Mr. MACARTHUR. Thank you.

Mr. ASHLEY. Mr. Weltner.

Mr. WELTNER. Thank you, Mr. Chairman.

Mr. Talbot, I am afraid I will have to seek some rather elementary information about this boycott.

First, is this a boycott that is imposed only by the United Arab Republic or is it the action of the Arab States generally?

Mr. TALBOT. Mr. Weltner, this boycott is imposed by the Arab States acting through the Arab League which includes all of the 13 Arab States.

Mr. WELTNER. And it is in effect and operating more or less in a uniform manner in each of those 13 Arab States?

Mr. TALBOT. Yes, sir. The operational arrangements are that a central Arab boycott office functions in Damascus and makes recommendations to these various Arab governments which in turn take independent governmental action.

We have no relations with the Central Arab Boycott Office but only with the governments and we deal with these matters on a government-to-government basis individually in each Arab country.

Mr. WELTNER. You do not deal, insofar as your attempt to mitigate the effects of this boycott, with the Arab League or any agency of the Arab League?

Mr. TALBOT. No, sir, we do not.

Mr. WELTNER. Second, do I understand that there is now in effect an Israel boycott against those same—

Mr. TALBOT. There is no trade between Israel and the Arab States.

Mr. WELTNER. I mean against firms that do business with the—

Mr. TALBOT. I beg your pardon, Mr. Weltner. As I stated, my understanding is that the Government of Israel in accordance with its earlier announcement is not permitting Israel business dealings with the specified firms.

Mr. WELTNER. Because they do business with these 13 States?

Mr. TALBOT. No, because as I said the Israeli Government considers them to have refused to undertake certain commercial dealings in Israel for fear of the Arab boycott.

Mr. WELTNER. Now, what about a situation such as this. I think there is a Nile Hilton Hotel and a Tel Aviv Hilton Hotel, is that correct?

Mr. TALBOT. There are hotels with the same American chains in both the Arab States and Israel.

Mr. WELTNER. Now, if this bill passed, would Mr. Hilton have to choose between his Tel Aviv Hotel and the Nile Hilton Hotel?

Mr. TALBOT. That would depend on the actions of the various states concerned. If the Arab States decided to strengthen, stiffen the boycott against American firms as a result of such an amendment as the one suggested, I would assume that they would assume that they would attempt to press these companies into making a choice.

Mr. WELTNER. At the present time a businessman may choose with whom he wishes to deal—either with the Israeli Government or with an Arab state or with both if he can avoid the toils of the Arab Boycott Office, is that correct?

Mr. TALBOT. Well, the business firms do business in accordance with the laws and regulations of each state in which they function and, normally speaking, these business arrangements are worked out on a case-by-case basis.

In some instances corporations do have business in both Israel and the Arab States, not in all cases.

Mr. WELTNER. One further question. I heard a portion of Secretary Ball's statement concerning our own efforts to isolate Cuba, but I frankly did not follow the logic whereby this act might in some way impair the effectiveness of our efforts through the CoCom countries in prohibiting or restraining trade with Cuba. I wonder if you will state that proposition once again for me, please.

Mr. TALBOT. Yes, sir. What Secretary Ball stated was that in the prosecution of our own programs of economic denial to certain Communist States, we call upon the cooperation of foreign governments and foreign commercial firms such as shipping firms to observe our requests for support in economic denial. This cooperation, as Secretary Ball testified, is not always terribly easy to get because commercial traders like to trade without consideration sometimes for political aspects.

Secretary Ball testified that if this legislation were to pass, applying to a different situation, it is our judgment that it would be more difficult for the United States to gain the cooperation of foreign concerns in the economic denial programs that we have undertaken in our own interests and the interests of the Western Hemisphere and the free world.

Mr. WELTNER. I know that is what he said, but I just fail to see the logic in there. Why would it be more difficult? We are talking about Cuba, Red China, North Vietnam, and North Korea. Those are the four embargo countries.

Now, what has this got to do with trade with those countries over there, and why would it make it more difficult to restrain trade with our CoCom countries?

Mr. TALBOT. As Secretary Ball suggested, there is no question that the different situations are equal but rather since we would take the position that certain trade could be restricted in the interests of our country and our allies and associates, others would take the position that they could restrict trade. If we say, then, that we are able to tell our companies not to answer any questionnaires from a foreign government or a foreign agency similarly, other countries which have resisted some of the proposals that we have made would use this as a basis for arguing that they should not answer the questionnaires, the information that we seek to get from them.

Mr. WELTNER. Well, I must confess that I just don't really see that that is a logical conclusion.

Mr. TALBOT. Well, sir, as you know, there are business firms in other countries that have done business in the past with Cuba. They have felt sometimes that it was regrettable if the United States should ask them not to do business with Cuba, and they have cooperated.

Mr. WELTNER. We are not asking any of those foreign countries not to do business with the Israel or Arab countries.

Mr. TALBOT. That is right, but if we were to say that it is U.S. policy that a nation, a government can prohibit its citizens and commercial firms from responding to the requests from a foreign agency for information about trade, we would find it much more difficult to assert our own interests in asking for such information from foreign traders.

Mr. WELTNER. Well, I have one further question. Do I understand that the recognition by West Germany of the State of Israel has placed the diplomatic relationship of that nation and Arab States in some jeopardy?

Mr. TALBOT. Yes, sir; it has. Yesterday we were informed through press sources that Iraq and Syria had ended diplomatic relations with the Federal Republic of Germany after the announcement of the establishment of diplomatic relations between Germany and Israel.

On the basis of comments that have been made in recent weeks when this question has been under discussion, I would anticipate that other Arab States would take similar action and perhaps by now some have done it.

Mr. WELTNER. Would you think that there might very well be an Arab boycott of German firms, too, extended to firms in this country that trade with West Germany? Do you think that is a possibility under the circumstances?

Mr. TALBOT. I have seen no indication of that sort of boycott action, no, sir.

Mr. WELTNER. Thank you very much, Mr. Secretary.

Mr. HALPERN. Mr. Chairman, before we turn to the next member of the committee, I would like to clarify two points made in the earlier colloquy.

Now, No. 1 is that the point came up as to the possible existence of an Israel boycott against third parties.

Now, to my understanding, and I believe I am correct, there is no national policy in Israel extending any commercial boycott to any third party doing business with the Arab States, and I would like to make that point quite clear.

Also the secretary mentioned that we may call upon other nations to cooperate in regard to our policy with Cuba and certain Red nations, but we don't take, Mr. Chairman, we don't take punitive action. This is a lot different than the boycott club. We don't take direct punitive action through economic denial against third parties and I believe this is the important point.

Mr. TALBOT. Mr. Chairman, I might comment on those.

As to the first one, my information obviously is not first hand. It is information that has come out of Israel.

As to the second point, I think that Mr. Halpern knows that we have been greatly concerned about foreign-flag shipping going to Cuba and that we have discussed very intensively with other countries, including countries that receive U.S. aid, this question of foreign-flag shipping going to Cuba.

Mr. HALPERN. But the United States, does it not, Mr. Secretary, act through normal diplomatic channels and try to convince friendly governments to limit their dealings with unfriendly nations, but the United States does not presume to extend its regulations to them or to their nationals or to their companies except to prevent the diversion of certain specified products, material and processes of the U.S. origin for unfriendly destinations. Thus the U.S. trade controls are limited to U.S. resources.

I wanted to get that point clear in the record, Mr. Chairman.

Mr. TALBOT. Mr. Chairman, Mr. Trezise, who is Deputy Assistant Secretary of State for Economic Affairs, deals particularly with the

bill that the committee is considering, and with your permission, sir—

Mr. ASHLEY. Mr. Secretary, any time that you wish to call upon him you may certainly do so, and I wonder if you would be good enough to introduce yourself.

Mr. TREZISE. I am Philip Trezise.

Mr. TALBOT. Mr. Trezise might have a comment on Mr. Halpern's statement.

Mr. ASHLEY. With the permission of the rest of the committee—Mr. Gettys is next. Does this meet with your approval?

Mr. GETTYS. Mr. Chairman, I have no objection to Mr. Halpern continuing for a while but I must necessarily leave within the next 5 minutes. So I would like, if I may, to pose one question if Mr. Halpern—

Mr. HALPERN. Of course.

Mr. ASHLEY. Inasmuch as the record at this point would call for simply a comment by the witness, may he do that?

Mr. GETTYS. Yes, sir.

Mr. TREZISE. Just a small comment on Mr. Halpern's statement for the record.

We do in fact apply sanctions to third parties under the Export Control Act and in a sense in other ways as well. Specifically, under the Export Control Act, an importer in a friendly country who takes U.S. goods and then contrary to his commitment ships them to a proscribed destination can be and is refused the right of getting access to American exports. This is done and has been done a great many times.

Mr. ASHLEY. Mr. Gettys.

Mr. GETTYS. Thank you, Mr. Chairman. Mr. Halpern, I thank you for permitting me to go ahead.

Mr. Secretary, does the Export Control Act primarily deal with business matters or foreign policy?

Mr. TALBOT. I believe Mr. Ball responded to a similar question, Mr. Gettys, by commenting that both aspects are involved in the whole field of foreign trade. Trade is commerce but foreign trade is also an aspect of foreign policy.

Mr. GETTYS. I understand, but I say primarily is it a matter of commerce or foreign policy? I know it deals with both, but primarily? The President designated the Secretary of Commerce to administer this act. Therefore, the administration must think that it is primarily a business matter. Would that be a proper assumption?

Mr. TALBOT. What we were discussing this morning, Mr. Gettys, is some of the implications in our foreign relations of the operation of the proposed amendment and—

Mr. GETTYS. What I was getting at, Mr. Secretary, is this: Is the amendment that we are considering today to the extension—really the primary bill that we have before us is the extension of the Export Control Act.

Mr. TALBOT. Yes.

Mr. GETTYS. Now, is not this matter which we are considering today actually an extraneous matter, not germane to that? Wouldn't it more appropriately be a subject to be discussed by the Foreign Affairs Committee and in connection with the Department of State's diplomatic actions rather than the extension of the Export Control Act?

Apparently your answer is not opposed to my thinking because you oppose the amendment.

Mr. TALBOT. May I say I am diffident about discussing whether or not legislation before a committee is germane. What I would like to do, sir, to the best of my ability, is to be helpful in the foreign relations aspects of it.

Mr. GETTYS. Let me ask just one other question, Mr. Chairman.

Normally would the implications of the boycott, Arab boycott, be handled by diplomatic or by business authorities?

Mr. TALBOT. When an American company feels that the action of a foreign government or foreign agency is causing it difficulties, the American company very frequently might approach the Department of State to see whether any assistance could be given, and as Mr. Ball said, it is our policy to be of assistance in whatever way we can.

Mr. GETTYS. Well, now, would that normal inquiry of the Department of State emanate from the business firm or through the Secretary of Commerce to the Secretary of State?

Mr. TALBOT. It might come either way, Mr. Gettys.

Mr. GETTYS. Now, when a subject comes up, an inquiry comes to the State Department, in matters relating to the Export Control Act, then does the State Department unilaterally act on it without consultation with the Secretary of Commerce who has responsibility for administration of the act?

Mr. TALBOT. No, sir. I would say that we deal very closely with other executive departments in these problems that do affect the responsibilities of the different executive departments.

Mr. GETTYS. Thank you, Mr. Chairman. Thank you, Mr. Secretary.

Mr. ASHLEY. Mr. Cabell.

Mr. CABELL. Thank you, Mr. Chairman.

Mr. Secretary, I think it is safe to stipulate that we are all quite concerned over the action which has triggered this discussion here this morning, but slicing through to the real meat on this subject, actually, as a matter of practical application, is there anything in this proposed amendment that would in any way deter the Arab States from continuing their present boycott?

Mr. TALBOT. Our judgment, Mr. Cabell, is that the effect would be to the contrary, that it would be very likely to tend to have an effect to stiffen the Arab boycott position.

Mr. CABELL. There is actually no enforcement provision where we would have the right internationally to tell them what to do. Is that not the case?

Mr. TALBOT. That is correct.

Mr. CABELL. And by making it more difficult for them to secure the information which they are requesting, then the natural reaction would be one of antagonism and consequently might intensify their present program rather than to alleviate it. Is that your opinion?

Mr. TALBOT. Yes, sir; that is my opinion.

Mr. CABELL. Thank you, Mr. Secretary.

Mr. ASHLEY. Mr. McGrath?

Mr. McGRATH. Thank you, Mr. Chairman.

Mr. Secretary, is there any similar situation in any part of the world where a group of nations have banded together to put a boycott on a sister state, similar to what the Arab League is doing?

Mr. TALBOT. I know of no similarly organized effort, Mr. McGrath. As you know, through the years various nations have refused to do business with the—with particular other nations. I think, for example, of a number of states of the world that refuse to do business with the Union of South Africa because of the apartheid question.

Mr. McGRATH. Now, I take it when American companies that do business with the Arab nations receive questionnaires or are compelled to sign agreements, do they receive the questionnaires and sign the agreements with the Arab League or with the individual Arab nations?

Mr. TALBOT. Wel, sir, as I understand the normal practice of the Arab boycott authorities, questionnaires may be sent to companies in other countries in Europe and the United States, elsewhere, with requests that these questionnaires be filled out or the possibility that the company would be blacklisted by the boycott committee. It then becomes a matter of decision for each company as to whether to respond.

We know of a number of companies in which these requests for information have been delegated to the wastebasket. If a company decides to respond, it provides the information it desires and then further action may be taken by the Arab boycott committee and the recommendations of that committee passed on to the individual states which they presumably would pass certain administrative regulations.

Now, this is a fairly long process and when a company which is particularly affected by it finds the process has started, very frequently consultations will begin in the individual states, usually by representatives of the company and, if desired, with the support of the U.S. Government.

Mr. McGRATH. Is it a fair statement to say that at least some American companies have ignored the Arab boycott?

Mr. TALBOT. Yes, sir.

Mr. McGRATH. In those particular instances has their ignoring of the Arab boycott had any deleterious effect on our own programs of economic denial?

Mr. TALBOT. I know of no such case, Mr. McGrath, nor would I anticipate that it would have such an effect. Each company, after all, is its own best judge of how to proceed in developing its own trade and business opportunities overseas. And the fact that an individual company decides not to respond I think is substantially different from the question before the committee this morning.

Mr. McGRATH. That is all.

Mr. ASHLEY. Mr. Hansen?

Mr. HANSEN. Thank you, Mr. Chairman.

Mr. Secretary, earlier in your testimony or that of Secretary Ball I gained the notion that one of the chief concerns of the Department of State is the fact that the establishment of this amendment as law would tend to shut off sources of information the State Department now has by way of retaliatory or countermeasures. Is it a proper premise for me to take that this is one of the chief concerns? You might explain that a little.

Mr. TALBOT. Mr. Hansen, this is our judgment in two separate respects. In the first respect, if this legislation were to be passed as Secretary Ball said, our estimate is it would be more difficult to get the

cooperation of foreign firms in providing the information that we seek from them in order to conduct effectively our own economic denial programs.

The second respect is a question as to whether our diplomatic efforts which have had some success until now would be as effective if the U.S. Government took the position suggested by the proposed legislation.

Mr. HANSEN. Thank you. Now, I have another point which I think is of some importance.

What is the extent of the volume of business that has thus far been affected by the actions of the Arab States?

Mr. TALBOT. Mr. Hansen, I know of no way of answering that question because each company that has been interested in doing business in the Middle East has presumably made decisions on the basis of its own judgment of the situation, and we don't know how many companies may have been interested in doing business were it not for the boycott.

We don't know how many companies would perhaps have found it more profitable to go in and decide it wouldn't be so profitable under these circumstances. This is a very unclear question.

Mr. HANSEN. You have no research on that.

Mr. TALBOT. No, sir.

Mr. HANSEN. Do you have any data that would show the situations in a particular company, for instance, that might have been seriously affected by this boycott situation?

Mr. TALBOT. In a particular—

Mr. HANSEN. With regard to their well-being as a business firm, whether or not they have been affected volume-wise to a point where it has been detrimental to their continued existence? This, of course, would probably apply only to a small organization that had a limited area of operation.

Are there any situations of that kind that you know of, that your department knows of, where someone has been, we will say, driven out of business, so to speak, or has had a volume reduction that seriously has impaired their financial well-being?

Mr. TALBOT. I am not aware of any particular case, Mr. Hansen. Of course, whenever an American company seeks to do business overseas it is faced with the problem of whether it can meet the laws and regulations of the oversea country and still operate profitably. And the problems that American business has had in various countries of the world are fairly well known.

In some cases there are administrative restrictions on the repatriation of profits. In other cases there is labor legislation that makes it very difficult to operate.

This boycott is one of the factors that a company desiring to do business in the Middle East would have to take into account, but what a particular company's judgment might be depends on its own opportunities as it sees them.

Now, when a company desiring to do business in the Middle East or doing business in the Middle East believes that it has encountered difficulties over the boycott, it may come to the U.S. Government and ask for counsel and cooperation and possibly assistance in clearing away those difficulties.

Mr. HANSEN. Thank you. No more questions, Mr. Chairman.

Mr. ASHLEY. Mr. Talbot, unless there are other questions of the committee—do you have any? Mr. St Germain.

Mr. ST GERMAIN. If you would, and this comes from the answer to one of the previous questions, what in essence has the Department of State done to mitigate the effects of this boycott in looking toward the interests of the American firms?

Mr. TALBOT. Well, sir, we have on numerous occasions discussed with American firms that felt themselves affected by the boycott how best they could deal with the situation. We have given counsel to quite a few of these firms. When they have decided what they wanted to do, if it has seemed appropriate to give diplomatic support to their efforts, we have done this.

In practical terms what I am saying is that we have repeatedly and fairly extensively had diplomatic exchanges with various Arab States about particular boycott situations.

Mr. ST GERMAIN. In specific instances.

Mr. TALBOT. Yes, sir.

Mr. ST GERMAIN. Thank you. But on the overall situation, on the overall boycott, have you been able to do anything effectively to mitigate or reduce this effect?

Mr. TALBOT. I don't know, Mr. St Germain, how one can distinguish between the overall and particular cases because, of course, application is particular. The policy of the Arab League on the primary and secondary boycotts relating to Israel has not been changed.

Mr. ST GERMAIN. Has the State Department indicated in any instance to the Arab country, to the Arab League, or whatever you want to call it, its disdain or displeasure with this particular boycott?

Mr. TALBOT. We have indicated in the clearest terms on numerous occasions to states conducting the boycott our opposition to this policy and to this practice, yes, sir.

Mr. ST GERMAIN. You have stated that on numerous occasions you have lent counsel, given counsel, and on some occasions you have taken diplomatic steps with some of the Arab countries, correct?

Mr. TALBOT. Yes, sir.

Mr. ST GERMAIN. Do you keep a file of these instances by any means?

Mr. TALBOT. Well, where there has—where paperwork has been involved, the papers must still be around, here or in Archives or somewhere.

Mr. ST GERMAIN. I am just wondering how often you take that step where you go beyond the counseling and actually attempt to apply diplomatic pressure. How often you have done it.

Mr. TALBOT. We take it at the request of American companies when our preliminary discussions suggest that this is the wise course.

Mr. ST GERMAIN. Now, getting back to one point, you mentioned that now I think you said it is secondhand information that as of a few months ago some firms have been blacklisted by Israel?

Mr. TALBOT. Yes, sir.

Mr. ST GERMAIN. How many firms are involved?

Mr. TALBOT. I am not aware of the number of firms that are involved nor am I aware of the operation of the Israel Government ac-

tions, whatever that may be. We did see the announcement that this was the intent and that certain firms in several countries would be affected.

Mr. ST GERMAIN. Do you know the reason for their taking these steps? Did they give a reason for taking these steps against certain firms and certain companies?

Mr. TALBOT. Well, in very general terms the reasons suggested were that these firms had capitulated to the Arab boycott restrictions.

Mr. ST GERMAIN. If they have capitulated to the Arab boycott restrictions, that means that the Israel Government firms can't do business with them, doesn't it? And in essence, therefore, who is really imposing the boycott, the Arab boycott or the Israel boycott?

Mr. TALBOT. Again, I would not, of course, speak for the Government of Israel and what it is doing in this field.

Mr. ST GERMAIN. But wouldn't you agree if that is the case that the reason for their not doing any business with firm X is because firm X capitulated to the Arab boycott? This is like swinging at the wind because this country can't do business with the Israel firms anyway. They have capitulated. Isn't that a logical conclusion?

Mr. TALBOT. But it was Israel authorities who announced that certain firms which had refused to sell directly to Israel because of Arab pressures would be denied import licenses until they stated publicly that they would no longer defer to the boycott.

Mr. ST GERMAIN. Nothing further.

Mr. HALPERN. Mr. Chairman, if I may, just one further point I would like to make.

Mr. Secretary, you mentioned a few instances of State Department steps to help resolve this situation, but what about the countless firms which are still blacklisted? Now, the fact remains that U.S. firms continue to receive questionnaires and requests for affidavits and negative certificates.

Now, this indicates that there has been no effective action over the past 15 years to stop this interference.

Mr. TALBOT. Mr. Halpern, as I said in response to a question by Mr. St Germain, there has been no change in the Arab boycott policies of which we are aware. When certain—when American companies, individual American companies, regard their interests as hurt by this and request the assistance of their Government, we do what we can.

Mr. HALPERN. Yes; but obviously it hasn't been successful.

Mr. TALBOT. Well, sir, that is a matter of judgment. In a number of situations I think that one could say that the success has crowned the efforts.

Mr. HALPERN. I think the issue here is far more important than individual firms. It is a matter of policy. In my opinion it is a repugnant policy that should be corrected through legislation.

Mr. TALBOT. The issue as I understand it is whether this proposed amendment would assist U.S. interests abroad and the testimony of Secretary Ball is addressed to that point.

Mr. HALPERN. I think it will go far in assisting the U.S. position abroad.

That is all, Mr. Chairman.

Mr. ASHLEY. Mr. Secretary, we appreciate your testimony very much this morning. It has been helpful to the subcommittee and I am

sure it will be to the full committee in consideration of this difficult matter.

Mr. TALBOT. Thank you very much, Mr. Chairman. We appreciate the opportunity to appear before you and the subcommittee.

Mr. ASHLEY. Thank you.

Our next witness will be Mr. Robert E. Giles, General Counsel of the Department of Commerce, accompanied by Mr. Alexander Trowbridge, Assistant Secretary for Domestic and International Business.

If you gentlemen will come forward, please.

**STATEMENT OF ROBERT E. GILES, GENERAL COUNSEL, DEPARTMENT OF COMMERCE; ACCOMPANIED BY JAMES L. PARRIS, ASSISTANT GENERAL COUNSEL, AND WILBERT L. WHITSETT, STAFF ATTORNEY**

Mr. ASHLEY. Mr. Giles, this subcommittee welcomes you and we are obliged to you for your presence this morning. You are free to proceed as you wish.

The subcommittee does have permission to sit while the House is in session and because your statement appears to be short and because of the character and nature of the subject matter before us, I think it would be as well if you proceeded to read your full statement if that is agreeable with you.

Mr. GILES. Thank you, Mr. Chairman. I will be glad to do that.

First, if I may, I would like to introduce Mr. Parris on my right, assistant general counsel on my staff and Mr. Whitsett, attorney on my staff, who is on my left.

Mr. ASHLEY. Now, do I understand that Mr. Trowbridge is not with you this morning?

Mr. GILES. Yes, sir. That is correct.

Mr. ASHLEY. All right.

Mr. GILES. Mr. Chairman and members of the committee; I appreciate this opportunity to appear before you today and to express our views on H.R. 627.

I believe there are other similar bills which have been introduced in the House.

The bill would amend section 3(a) of the Export Control Act to prohibit American businessmen from furnishing information or signing agreements or taking any action which might be required by a foreign country, in furtherance of a boycott or similar trade restriction practiced by it against another country friendly to the United States.

The Department of Commerce recommends against enactment of this bill. We share the deep concern of the bill's sponsors over restrictive trade practices and boycotts between countries which are friendly to us, and with which we have mutually beneficial trade. Such practices among our foreign friends undercut the prosperity and orderly growth of all nations involved. But while we believe that the United States should do what it reasonably can to reduce any tensions between its trading partners, we do not believe that H.R. 627 is an appropriate measure for achieving this end.

The Export Control Act provides for the regulation of exports for three main purposes—to safeguard our national security, to further our foreign policy and to protect the domestic economy in short supply situations. To carry out these three basic objectives the President

needs considerable administrative flexibility, since international political, military and economic conditions continually change. The broad authority presently contained in the act is consistent with this fundamental need. The Department of Commerce believes that it would be unwise for Congress to enact a law which would require specific action to be taken by the executive branch, irrespective of its adverse impact at any given time on larger, more basic issues in our relations with other countries.

The introduction of this bill was prompted by the Arab boycott against Israel, although it would also seem to apply to any counter-measures taken by Israel against the Arab countries and to any similar boycott effort involving other countries. The stated main objective of the bill is to make such boycotts difficult or impossible to administer, thereby forcing the boycotting countries to terminate them and freeing the American businessman from restrictions in foreign trade opportunities. We question whether the enactment of this bill would achieve its objective—or whether, instead, the boycotts would likely continue, so that American business could be placed in an overall worse position.

The legislation assumes that if American businessmen are forbidden to supply information or otherwise cooperate with the boycotting countries, the “blacklist” will be impossible to administer and will come to an end. But we should not ignore the fact that the boycotting countries will undoubtedly have and may use other, perhaps less reliable, sources of information from which to collect the data necessary to administer their “blacklist”—for example, competitors, trade journals, or informers outside the United States. In such an event, it might result that some American businessmen would be blacklisted on the basis of erroneous information. This would present the problem whether the businessmen so listed would be able, under the bill, to provide the correct information to the boycotting country in order to secure their removal from the blacklist.

It has been suggested that American businessmen would be happy to have legislation such as this enacted to bolster them in their resistance to the boycott. However, while proponents of this legislation indicate there are over 150 firms listed on the Arab blacklist we are not aware of any strong business demand for passage of this legislation. It is true that American businessmen wishing to trade with both countries may currently be faced with a dilemma, since certain business relations with one may result in blacklisting by the other. However, this is by no means always the case. Our information indicates that domestic concerns which do not cooperate with the Arab boycott are not necessarily barred from the Arab markets. Assuming, however, a situation where trade with one country would assuredly result in retaliation by the other, the American businessman is today at least free to choose between the two, in accord with his own judgment. The bill if enacted would deprive him of this choice since he would be prohibited by law from satisfying the boycott requirements of any country.

In summary, it seems to us that the administration of the basic policy objectives in the Export Control Act could be adversely affected by the enactment of the bill, that the bill would not be useful in bringing to an end the boycott, and that it would have undesirable side effects for American business.

Thank you, Mr. Chairman. That concludes my statement. I will be glad to try to respond to any questions.

Mr. ASHLEY. Thank you, Mr. Giles.

On page 2 of your statement you state that the Department of Commerce believes that it would be unwise for Congress to enact a law which would require specific action to be taken by the executive branch irrespective of its adverse impact at any given time on larger, more basic issues in our relations with other countries.

I wonder if you would amplify on the specific action which would be required to be taken by the State Department in the event that the proposed legislation—and I am referring now to the Multer-Halpern amendment—were to be adopted.

Mr. GILES. Mr. Chairman, what I mean by that is that the proposed bills, looking at H.R. 627, would require that this regulation be adopted and promulgated by the executive branch, and I am looking at page 2 of the bill, line 3:

"Such rules and regulations shall prohibit in furtherance of the policy."

And it goes on to explain it. That is this specific action which would be required under the bill.

The executive branch would have to take this action across the board regardless of the impact or results that may flow from it as indicated by the previous witnesses. And on balance it is our judgment that this would not be to the overall best interests of our Government or of American business who are involved in both areas.

Mr. ASHLEY. In other words, you have reference in your statement to the rules and regulations that will be promulgated by your department?

Mr. GILES. Yes, sir.

Mr. ASHLEY. Upon enactment of the legislation.

Mr. GILES. That is right. The legislation would require that such a rule and regulation be adopted and administered.

Mr. ASHLEY. And inasmuch as the language is quite specific that there would be rules and regulations which would prohibit domestic concerns engaged in the export of articles, materials, all supplies, including technical data, from the United States which has the effect of furthering or supporting restrictive trade policies or boycotts imposed by any foreign country against another country friendly to the United States, your position is that such rules and regulations would seek to accomplish that end perhaps by the imposition of penalties, by some kind of a policing method?

Mr. GILES. No, sir. The point I was making is that it would be undesirable to require the Department of Commerce, the Secretary of Commerce, to promulgate this sort of specific regulation. Once this bill was passed, that would be required and that regulation would have to be published and administered unless and until Congress changed the law regardless of any change in circumstances.

So the basic point I was making, Mr. Chairman, is that in administration of the Export Control Act, it has been traditional that the executive branch, the President and his delegates would have broad

discretion to determine what specific rules and regulation should be published from time to time in the light of foreign policy and international economic affairs as they develop, and there is, of course, over the years a constant change in both those areas.

Mr. ASHLEY. Do you have any idea, Mr. Giles, how many American firms presently do business both with a country or countries within the Arab league and at the same time with Israel?

Mr. GILES. Mr. Chairman, I do not have that specific information as to how many. We have seen published material which indicates that the Arabs have something like 150 or more firms on their so-called blacklist. So that is just one figure.

Now, so far as I know, our Government is not able to really verify that information because it is what is generally reported and may or may not be correct.

I would like—it might be relevant at this point simply to put before the committee the information which is contained in our quarterly report on export control which was submitted to Congress earlier this year. This is the quarterly report on the last quarter of 1964, and on page 46 of this quarterly report on export control we list information and data on U.S. exports and imports to the various areas of the world. On that page we have a category of Near East which includes, of course, the United Arab Republic and other Arab nations.

I simply note that for the year 1958—rather, 1957 is the first one—our exports to the Near East, which includes the several countries in that area, totaled \$452 million. In 1963, the full calendar year, the total has gone up to \$766 million. That simply indicates that the total amount of trade in that area which the Arab nations involved as well as Israel, I should think, has been on a steady increase.

At the same time, during this period there was a small but not too significant increase in our imports from this same area. It has been in the neighborhood of \$325 to \$330 million a year.

Well, I simply recite that, Mr. Chairman, to indicate the volume of trade overall in this area and to indicate that during the past several years, our exports to this area of the world have shown an increase.

Mr. ASHLEY. This would be true both with respect to the Arab States and to Israel?

Mr. GILES. I think so, but as I mentioned, I don't have the breakdown.

Mr. ASHLEY. Well, would it be possible to supply for the record the volume of American exports?

Mr. GILES. We will try to do that. I think we can.

Mr. ASHLEY. Well, would there be any great difficulty in this, Mr. Giles?

Mr. GILES. I shouldn't think so. I just don't know how our information is compiled.

Mr. ASHLEY. Well, we do state rather often that we have a favorable balance of trade, volume of our foreign trade is so many billions of dollars. This is a compilation, a total of our trade transactions with the various countries in the world. I would suppose, wouldn't you, that it would be possible to show, let us say, in the years 1960 through 1964 the volume of American exports to the Arab States and to Israel.

Mr. GILES. All right. We can get that information.

(The information referred to follows:)

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,  
Washington, D.C., May 20, 1965.

HON. THOMAS L. ASHLEY,  
*Chairman, Subcommittee on International Trade,  
Committee on Banking and Currency,  
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: In response to the committee's request, I am enclosing a chart which shows the volume of U.S. exports to Israel and to the Arab countries during the years 1960-64.

I am sorry but I am unable to furnish you with information concerning the number of U.S. firms exporting shipments to Israel, to the Arab countries, and to both Israel and the Arab countries, during the years 1960-64 for the following reasons:

The Census Bureau's source documents for compiling statistics on exports from the United States are the shipper's export declarations which are filed by the exporter (or his agent) prior to shipping the merchandise abroad.

Since many shipments may be made by the same firm, and since no indication of names is shown in our statistical tabulations, a determination of the number of different firms would require that we have all the shipper's export declarations covering shipments to the particular country(s) withdrawn and analyzed. The file copies of shipper's export declarations are not, however, filed in any order which would readily lend itself to a segregation of documents, either by name of U.S. exporter, or by geographic location of consignee.

The Census Bureau's basic tabulation for locating individual export declarations is a monthly machine listing of items reported on shipper's export declarations in commodity by country arrangement. Locating all documents for shipments to Israel, e.g., would require that we first determine all the commodities exported to Israel during the given period, and then go through the detailed commodity by country listings and search through all the commodities involved to identify those declarations covering shipments of the commodity to Israel. A very preliminary check of the number of transactions involved for the 5-year period indicates that the clerical costs involved in our undertaking such a job might run in excess of \$50,000.

Even if the cost of the job as outlined above was not deemed to be prohibitive, the results would be inconclusive. Individual shipments valued less than \$100 are not tabulated, and the declarations covering them are not filed in any order. Shipments valued from \$100 to \$500 are included in the statistics on a sample basis and those shipments not selected in the sample are not filed in any order. There are over a quarter of a million documents in these two categories filed each month, and since the documents are not filed in any order, it would be impractical to attempt to search through this number of documents by hand to select documents for individual countries.

Thus, the information which the Bureau of the Census could supply in response to your inquiry, i.e., the number of exporters making shipments to the countries involved, whose shipments were included in the official export statistics, would be extremely costly, time consuming, and inconclusive.

Sincerely yours,

ROBERT E. GILES.

*U.S. exports including reexports<sup>1</sup> to Arab countries and Israel, 1960-64*

[In thousands of dollars]

Country	1960	1961	1962	1963	1964
Israel.....	125,523	147,234	174,881	167,413	181,270
Arab countries.....	510,642	618,949	724,511	678,066	769,642
Aden.....	2,809	3,269	3,364	5,880	5,214
Algeria.....	23,821	42,115	49,977	44,639	52,990
Arabian Peninsula States, not elsewhere classified <sup>2</sup> .....	7,438	17,438	14,592	17,603	16,955
Iraq.....	36,932	37,379	34,569	32,833	56,408
Jordan.....	18,977	23,562	20,882	37,101	20,330
Kuwait.....	40,849	56,412	63,868	59,999	55,336
Lebanon.....	44,312	45,361	43,361	51,218	57,151
Libya.....	42,157	33,675	44,571	43,406	58,883
Morocco.....	34,126	65,989	52,638	56,223	37,358
Saudi Arabia.....	43,388	54,996	77,460	69,326	89,197
State of Bahrain.....	8,209	9,735	8,756	8,999	8,811
Syrian Arab Republic.....	37,722	26,819	29,485	15,161	11,022
Tunisia.....	21,250	39,512	45,975	25,902	32,118
United Arab Republic.....	150,652	162,687	235,013	209,776	267,869

<sup>1</sup> Excludes military shipments.<sup>2</sup> Includes Yemen, Sultanate of Oman, Trucial Sheikhs, and Qatar.

Source: 1960-63, Statistical Abstract of the United States (1964); and 1964, Bureau of the Census, U.S. Department of Commerce.

*U.S. general imports from Arab countries and Israel, 1960-64*

[In thousands of dollars]

Country	1960	1961	1962	1963	1964
Israel.....	27,266	32,640	41,085	47,370	56,123
Arab countries.....	277,987	277,555	252,498	243,256	264,679
Aden.....	265	238	114	133	404
Algeria.....	1,371	260	5,327	842	5,343
Arabian Peninsula states, not elsewhere classified <sup>1</sup> .....	4,475	24,665	22,660	29,740	44,121
Iraq.....	27,160	29,415	9,692	9,499	8,364
Jordan.....	92	496	74	81	185
Kuwait.....	123,705	108,890	87,721	67,445	52,045
Lebanon.....	3,469	4,410	5,047	6,935	7,972
Libya.....	319	458	11,933	15,534	28,553
Morocco.....	10,457	11,350	10,739	6,776	6,041
Saudi Arabia.....	65,220	55,532	66,927	78,213	85,998
State of Bahrain.....	2,826	927	646	3,102	2,728
Syrian Arab Republic.....	6,537	5,120	4,386	4,009	5,396
Tunisia.....	473	663	1,640	779	1,307
United Arab Republic.....	31,618	35,111	25,592	19,868	16,222

<sup>1</sup> Includes Yemen, Sultanate of Oman, Trucial Sheikhs, and Qatar.

Source: 1960-63, Statistical Abstract of the United States (1964); and 1964, Bureau of the Census, U.S. Department of Commerce.

Mr. ASHLEY. Now, American firms, particularly those in manufacturing, perhaps those selling technical data, too, must have an export license in order to enter into commercial transactions with either Israel or the Arab States. Isn't this so?

Mr. GILES. That would depend, Mr. Chairman, on the specific commodity or the kind of data involved, whether or not there was this security aspect and whether or not the item was on our "General

License" list as to which an individual license application is not required or whether it would be on the restricted list.

Mr. ASHLEY. Yes, but I am talking about the nonstrategic list of items and on these isn't it true that what is required is a general license? General export license?

Mr. GILES. Well, general license means that we simply have a publication in the Federal Register listing the hundreds of commodities or items—and say that no individual export license application is required and therefore the company would be free to ship those items without—

Mr. ASHLEY. I see. And there would then be no record.

Mr. GILES. That is right.

Mr. ASHLEY. Within the Department of Commerce.

Mr. GILES. That is right. There would be no export control record as such.

Mr. ASHLEY. Would there be any record in the Department of Commerce in any manner?

Mr. GILES. Possibly through our Census Bureau, which gathers statistics on exports and shipper export declaration forms, and that sort of thing.

Mr. ASHLEY. What I am getting at, of course, is whether or not there is any measure of the number of firms doing business in both Israel and the Arab States.

Mr. GILES. I don't know exactly what data we have but that is something that we would like to supply for the record and we will give the most specific information that we have.

Mr. ASHLEY. Yes. I think that it would be of value to the committee and to the House in considering this question to have the number of firms, if available, doing business with the Arab States, the number doing business with Israel, and if possible the number doing business with both because this is the issue that we are discussing.

Mr. GILES. All right, sir.

Mr. ASHLEY. And I don't wish to pursue that but I do think that would be very cogent and valuable information to have.

This is a question that I put to, also would like to have your comment on, Mr. Giles.

You state on page 3 of your statement that it is true that American businessmen wishing to trade with both countries; that is, the Arab League and Israel, may be currently faced with a dilemma since certain business relations with one may result in blacklisting by the other.

If the legislation in question is adopted, would it be your thought that this dilemma would be ameliorated or would the dilemma really become greater?

Mr. GILES. Well, our view is that it would really become greater. It would be a different kind of dilemma. The company wouldn't be faced with having to make a choice presumably as to whether he would furnish the required information. But there would be a greater dilemma for the companies overall, we think, because we don't know what the greater reaction might be on the part of these Arab countries, and our distinct impression is that while American businessmen are not at all happy and do not condone this sort of boycott—this sort of trade restriction which is carried on by the Arab coun-

tries—we do not understand that they believe this sort of legislation would really resolve their problems.

So we think that they very well could have different or greater kinds of dilemmas if this bill were enacted into law.

Mr. ASHLEY. Do you foresee that if this legislation is enacted the volume of American commerce with the Arab States might decrease?

Mr. GILES. It very well could have that effect; again, of course, depending on the precise action by the Arab States. Of course, we would assume—I am sure it is the case—that a good many companies and firms have commercial relations with one or more of the Arab countries and do not have, let us say, with Israel simply because of the nature of the business they are in. So it is entirely possible that this sort of straight across-the-board requirement would cause those business firms to be adversely affected, and then they would be out entirely. They would not be able to have any commercial relations either with Israel or with the other group of countries.

Mr. ASHLEY. Just two final questions. The purpose of the Arab boycott is quite clear to us all, to prevent other countries from entering into commercial transactions with the nation of Israel. The boycott is directed to U.S. companies, and also to other companies of other nations.

Do you know how other nations are responding to the requirement for the types of information that the Arab League seeks to elicit from business concerns interested in doing business in the Arab States and Israel?

Mr. GILES. Our information is that no other country has through its Government taken governmental action on this matter but they have met it as the United States has up to now through whatever action their private business firms could take and saw fit to take themselves.

In other words, as we now have it in the United States with U.S. firms, the choice is left to them to make their own judgment as to what they do in specific cases. It is our information that that same general situation prevails in the other countries.

Mr. ASHLEY. What you are saying, of course, is that there is no governmental action that you foresee, at least none that has been presented.

Mr. GILES. We are not aware of any.

Mr. ASHLEY. That there is no governmental action that can be taken that will afford the protection to American business concerns which is quite properly a matter of concern to those who are supporting the legislation.

Mr. GILES. That is right, sir, and I would like to emphasize this point. This bill, if enacted, and the regulations, if published, are directed against U.S. business firms. They are not directed against the Arab nations or any other country. They are directed against U.S. business firms.

Mr. ASHLEY. Well, do you foresee, then, that to the extent that American business firms might comply and would comply with the rules and regulations adopted, as a result of enactment of the legislation, that there might be simply a transfer from the United States to other commercial nations of the world of that volume of business

that is presently being generated in the United States and directed to the Arab States?

Mr. GILES. Yes, sir; very definitely.

Mr. ASHLEY. Now, finally, the Department of Commerce is charged with the responsibility of administering the Export Control Act. Is it your testimony that the result of adoption of this legislation, if that should be the case, would be deleterious in terms of administering the Export Control Act which, of course, has as its main purpose the national security of the United States?

Mr. GILES. Yes, sir. We think this would be an undesirable change in our export control law.

Mr. ASHLEY. Now, would it specifically cause problems in terms of administering the Export Control Act?

Mr. GILES. Well, we can certainly visualize and foresee that it would cause some serious administrative problems, Mr. Chairman.

For example, under this bill we would be required to issue a regulation telling all American business firms that they shall not furnish information or sign agreements which would have the effect of furthering or supporting restrictive trade practices or boycotts.

Well, certainly there could be a question on a given situation: Is this going to further or support a boycott? And then what is a restrictive trade practice? The bill applies to restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States. So what is a restrictive trade practice, and in a given case, will it have the effect of furthering or supporting that restrictive trade practice or boycott?

Then we could visualize that there would be very serious questions involving other countries, not just the Arab countries and Israel, but other countries where one of our friends in almost any part of the world may decide to take some action against a third country involving their trade relations and we might get involved in this sort of activity, and we could visualize all sorts of commercial and economic difficulties arising from that.

Now, in addition, so far as strict administrative problems, I think you would have in this situation, as we do in other parts of our administration of the Export Control Act, but probably even amplified here, the usual problem of enforcement. How are you going to get information about this? And then when you get the information, what do you do with it? What sort of followup penalty action do you take?

Of course, presumably the way this is written, if there were a violation of such regulations it would be a criminal offense. And presumably we would be in a position to turn the information over to the Justice Department to consider whether criminal action should be brought or whether some lesser type of action. But it is all in an area, Mr. Chairman, where we think very frankly that the administrative problems would be considerable aside from the policy objections that we have raised.

Mr. ASHLEY. The main thrust of my question was whether the enactment of the proposed amendment or legislation would make it more difficult for the Department of Commerce, for example, to follow American originated goods and commodities and perhaps service which are for export to a friendly country with the stipulation that there be

no transshipment of such goods, services, or what have you, to an unfriendly country.

Mr. GILES. Yes, sir. It very definitely could have that effect. Again, as I indicated, we do not know just how broad the application of this sort of law could be and we do have to depend upon other countries, as Secretary Ball brought out, for a great deal of help in administering the Export Control Act and in enforcing it, getting information from other countries as to what is happening and what may happen to American exports. So it is—

Mr. ASHLEY. Do we count, for example, on—where there is a shipment of an item that could be of strategic value to a bloc country, and therefore would be on the prohibitive list but, of course—let's take the British, for example. Do we count on the British to police the provision against transshipment or does the Department of Commerce have dealings directly with the company that may be exporting such a commodity or item or service?

Mr. GILES. Well, in terms of our enforcement, we have the direct commitment of the company, of the companies involved, the commitment that they will transship contrary to our regulations. And then in the case you mentioned, such as, for example, Great Britain, we do have Government-to-Government cooperation through the so-called CoCom arrangement, the coordinating committee arrangement on administering export controls. So there is a Government cooperation, but in a specific case I think we would say that it is more on a company-to-company basis that we have to look for the information and cooperation. And, of course, if we have information which indicates some possible violation, we would bring that to the attention of the appropriate Government authorities in Great Britain and they would cooperate with us, which they have always done in these cases.

Mr. ASHLEY. Well, we don't have any blacklist, as Mr. Halpern and others have pointed out, that we use as a stick. However, if our Export Control Act, which is the basic legislation that you are concerned with, is to be effective, we must rely on the ability of the Department of Commerce to elicit information which will either assure us that items which we don't want to have shipped to particular countries will not be shipped or in the event that they are, that that information will become available to us.

Mr. GILES. Yes, sir, that is correct.

Mr. ASHLEY. So that in that sense we are interested in information that is restrictive in terms of the items that are under question.

Mr. GILES. Yes, sir.

Mr. ASHLEY. Mr. Halpern.

Mr. HALPERN. Thank you, Mr. Chairman and distinguished witness. Just one point before I go into some comments and questions.

In line with the chairman's reference to the application of the Arab boycott against Israel in Europe, I would like to point out that there is cartel action in Europe and we don't have that here which I believe is an important point to bring out.

Now, I want to repeat what I said to Secretary Ball, that this is not a matter of foreign policy. It is purely a commercial matter and the aggrieved parties are not the Arabs or the Israelis. They are the American businessmen. And apparently for 15 years nothing effectively has been done for them.

Now, as I said, I have a few questions. But before asking them, I would like to clear the record on two points which came out this morning.

Reference has been made to the so-called Israeli boycott policy. Now, there is no such thing. What Israel has said is that it would withhold import licenses to firms which cooperate with the Arab boycott, not which trade with the Arabs. And I think that point should be brought out.

And with regard to the statement made by Mr. Trezise, I think his name is, from the State Department concerning U.S. sanctions against those who trade with Cuba, let me clarify an important point lest the record be misleading.

We may urge friendly governments to limit their dealings with unfriendly countries but we do not even presume to extend domestic regulations against them or their companies.

Now, he referred to Communist China and Cuba. In those cases the U.S. Government has urged friendly governments to restrain trade with these countries and the appropriate U.S. regulations have been applied to prevent U.S.-based and U.S.-originated trade, and that is all. But no economic sanctions have been applied by the United States to countries such as the United Kingdom, France, Canada and the United Arab Republic, which currently conduct trade relations with China and Cuba. And private companies in these friendly nations which deal with Cuba and China are not prohibited or otherwise limited, from trading in the United States. Nor do we ask them the kind of questions which the Arab boycott office seeks to elicit from American businessmen which this proposed amendment would prohibit.

Now, Mr. Giles, I have a few questions here. Are you aware of any reaction to this legislation from American oil companies?

Mr. GILES. No, sir, not directly. We have not had any direct—

Mr. HALPERN. You haven't had any communications on this anti-boycott legislation from any oil company with Middle East connections?

Mr. GILES. No, sir, not to my knowledge.

Mr. HALPERN. Did your Department, or to your knowledge, does State Department, ever tell American businessmen to throw away these questionnaires?

Mr. GILES. I don't know that anyone in our Department has ever said that nor do I know whether anyone in the State Department has suggested that either. We have had, I suppose, according to our best information, about three or four inquiries on this during the last two and a half years, almost 2 years, since 1963 where some company would write in and say, we have this questionnaire. We call this to your attention. And we would like to have your best counsel and advice as to how we handle this.

We have given our best counsel and advice in those situations. I have not personally talked with anyone in that situation and I can't say exactly what was told them or suggested. But our experience has been very limited in this area. It is quite natural that companies who find themselves in this position would contact us and then very soon if not immediately we would be talking with the State Department people because they are in a better position to go directly to representa-

tives of the foreign governments. That is about the best information I can give you.

Mr. HALPERN. Do you not agree that this is an improper—and that is a mild word—improper intrusion into the affairs of American business?

Mr. GILES. Without any question the Department of Commerce is very much opposed—deeply regrets this continued effort on the part of the Arabs to do this.

Mr. HALPERN. That is all we are trying to correct with this legislation.

Now, it has been contended that this amendment will force Americans—and I heard that in the colloquy here this morning—will force Americans to choose between Israel and the Arab States. I feel to the contrary. What we are trying to do here is to say that we want American firms to make their own choice without interference and that is all this amendment will do.

Now, we have lists of companies, Mr. Giles, that have been black-listed and other lists of firms that are dealing silently with both sides of the Arab boycott, but the real injury of this practice cannot be measured merely in the terms of facts and figures. The existence of this boycott itself constitutes a threat to the would-be trader and the would-be investor. It is a discouragement and an obstacle.

Since you are affiliated with the Department of Commerce, would you not agree with that?

Mr. GILES. Well, I would assume that is is very undesirable in its effect on American business firms who are involved. I think that is very obvious. But I believe, Congressman, the issue here is whether action by the U.S. Government would produce a net result better than if the Government did not act.

It is sort of a balancing of interests or equities here. And in our judgment we feel that it would be better for the Congress not to pass this sort of regulation. That doesn't mean that we approve or endorse or condone what the Arab countries are doing. We emphatically do not.

Mr. HALPERN. Well, you do agree, though, that this does constitute an unfair obstacle to trade in international business relations, and for the life of me I cannot understand why the Commerce Department is against taking some steps, effective steps—I should think this legislation would help the Department—to demonstrate a readiness to resist such practices.

Mr. GILES. Well, I believe that our difficulty is in our judgment and estimate as to whether this would be as desirably effective as is suggested. Now, you see, the legislation is not directed against the Arab countries and it doesn't tell the Arab countries to cease and desist from their boycott efforts. But the legislation is directed against American business.

Mr. HALPERN. We cannot legislate to tell the Arab countries—

Mr. GILES. I know that.

Mr. HALPERN (continued). But we can set policy in this case for the United States.

Now it has always been my belief that the United States is opposed to unfair trade restrictions such as the secondary boycott, that the United States was in favor of freeing trade from artificial barriers.

In accepting the terms of this boycott are we not putting ourselves in a very contradictory position, Mr. Giles?

Mr. GILES. Well, the United States is committed to that in principle, certainly and it is a good principle, and a desirable one. I think I would want to mention one instance, though, just for the record where the United States has taken action and is presently taking action against businessmen of other countries which I suppose could be regarded as a boycott action.

For example, in connection with our efforts regarding Cuba, the United States has a list of companies, foreign shipping companies, whose ships are in operation to Cuba and we keep them on that list and if they are on that list, they cannot do certain business in this country. They cannot, for example, haul government cargo or government-financed cargo. And that has been very effective in cutting out those companies from doing business in the United States.

Now, that is going on right today. That is simply an example of where U.S. action in this area has gone beyond merely controlling or regulating U.S. businessmen but also goes to the businessmen of other nations.

Mr. HALPERN. Can you even begin to compare Israel with Cuba?

Mr. GILES. It is not a matter of comparing the situations that led to this. I am suggesting only the kind of action that our own Government has taken in this area and I was responding to the point that you made a moment ago that so far as you knew, the U.S. Government action in this area was in regulating our own businessmen and not the businessmen of other countries.

Mr. HALPERN. But I don't think it is at all relative.

Mr. Giles, you say that it is not in our best interests to accept this amendment, and I would like to say at this point that I haven't heard a single bit of testimony this morning, a single argument to justify that statement.

That is all, Mr. Chairman.

Mr. ASHLEY. Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. Giles, you at one point stated that it would be undesirable for the Secretary of Commerce to be placed in a position to have to issue regulations were this amendment to be put into effect or were it to be adopted. Yet I think you will agree that it is just as undesirable to have American firms be exposed to the actions that result from these questionnaires and these negative certificates, and what have you, so that there is undesirability on both sides.

You also in very strong and glowing terms expressed your disdain for the requirement or for the boycott itself.

You don't agree with this amendment. However, if that be the case, can you suggest any other means to correct this situation if you feel this amendment is not the answer to the question? What is the answer to the problem?

Mr. GILES. Well, sir, I wish I could come up with the real answer to that question. I don't know that I can. Our best judgment at this time, sir, is that we don't see any Government action at this time which we feel would be effective and which the net result would be to leave U.S. interests, whether foreign relations or commercial, better off than they are now.

In short, it seems to us that it would be better to leave the judgment to the businessmen who are involved as to how they can handle it, what they will do in these specific cases, and the Government itself with the State Department and Commerce Department will be of all assistance that we can on individual cases, on a case-by-case basis.

Mr. ST GERMAIN. But when you come right down to it, you haven't been able to grant much assistance, have you?

Mr. GILES. Well, we have not—

Mr. ST GERMAIN. This is being honest about it.

Mr. GILES. We have not been able to get a concerted across-the-board recision of this policy, that is correct, but we do think that we have been—our Government has been of considerable assistance actually in its implementation or lack of it, and if I may, Congressman, I am sure that Senator Williams of New Jersey would not want me to use his words for my position, and he, of course, is very much for this kind of proposal, but I do think it is pertinent to point out what Senator Williams stated as reported in the Congressional Record on page 1760.

He points out that:

Now it is a fact that many American firms are defying the boycott. This testifies to the strong belief of our business community in freedom of trade, to that community determination to stand up to an irritating and continuous barrage. These firms have learned to live with the boycott. They have found ways to circumvent it. They have learned not to advertise the fact—

and so forth.

Israel has learned to live with the boycott, too. She has developed a thriving merchant marine as much because of as in spite of the boycott.

Now, the Senator goes on to say he is aware that American firms have been able to live with this, get along. So I want to be very fair and make it clear that he also emphasized that in spite of that, he thinks this bill is desirable.

Well, I refer to that, Congressman, because of the statement of fact and opinion that he related. I think to put it in balance, our judgment is that the boycott has really not been successful and American business firms have been able to live with it in total and that that is better, that is a better situation than we think would likely result if this sort of very strict nonflexible legislation were enacted.

Mr. ST GERMAIN. Mr. Giles, taking your last sentence, that is an assumption on the part of Commerce and State; isn't that a fact? You don't know that that would be the result of this legislation. This is your opinion as to the result of the legislation.

Mr. GILES. Well, yes, sir; that is all we can do is to express our best judgment.

Mr. ST GERMAIN. Now, as to your citation of Senator Williams' statement, naturally we both agree it is part of a—it is taken out of context. But, you know, when you state that they found—some American businessmen have found that they can live with it, that is like saying that a chap could have a broken arm or broken leg. Well, it is not a desirable situation but he has it and he lives with it and he goes on. The ideal is to heal or mend the broken arm and broken leg. And I think that is the attempt in this legislation.

You state in your statement—you bring up the fact that you haven't heard from American businessmen on behalf of this legislation. You

further state that you feel that this is so because some firms have been able to continue to do business with both sides of the boycott.

By the same token, I would ask you, have you—I know I have not—have you heard from any business firms who are opposed to this legislation?

Mr. GILES. No. We have not to the best of my knowledge, Congressman, and I think probably Secretary Ball correctly stated the situation, that this is the sort of proposal that the business community involved probably feels is better that they not take a public position on one way or the other. I do think this, though, and of course this is my judgment on an assumption from the fact that we have not heard from them, that they do not feel that our present situation is so intolerable that we ought to have the law enacted. That is a conclusion we draw.

Mr. ST GERMAIN. You have stated repeatedly that this action is not against—this would not affect the Israeli Government or the Arab Government, but it would affect our American businessmen. And you say that you feel it would affect them adversely. And once again I say this is a conclusion you reach.

Mr. GILES. Yes, sir.

Mr. ST GERMAIN. We have no guarantee that that would be the effect of legislation.

Mr. GILES. Well, that is correct.

Mr. ST GERMAIN. The proponents of the amendment feel that it would help correct the situation.

Now, you say that this would be an action against—if we pass this, this would be an action against American businessmen.

Mr. GILES. Well, in the sense that it would be enacting a law which would deprive—

Mr. ST GERMAIN. Would prohibit them from complying.

Mr. GILES. Would prevent American businessmen from making a choice. They wouldn't be able to make their own choice.

Mr. ST GERMAIN. And yet you agree that the requirements of the Arab countries, that these questionnaires be filled out, certain negative certificates be filed, is undesirable.

Mr. GILES. Yes, sir; I do.

Mr. ST GERMAIN. I think we find ourselves with some pretty odd logic here.

Mr. GILES. If we could pass a law, an effective one, which would cut out the questionnaires and these efforts at the source, then that would be something very constructive, but that obviously isn't within the realm of possibility.

Mr. ST GERMAIN. How long has this boycott been in effect, Mr. Giles?

Mr. GILES. I don't have the exact period on that. I believe efforts along this line have been underway for something like 15 years.

Mr. HALPERN. 15 years is correct.

Mr. ST GERMAIN. And has anyone in Commerce or State come up with a solution to this problem in 15 years?

Mr. GILES. Not to my knowledge, sir. Unfortunately there seem to be some problems involved in international relations and international trade that we just don't have the answer to because we simply don't have the effective means of controlling or persuading other governments to do like we would like for them to do.

Mr. ST GERMAIN. Now, you agree once again that this boycott does affect American firms and some have learned to live with it?

Mr. GILES. That is our information; yes, sir.

Mr. ST GERMAIN. Now, this is the situation imposed by these foreign countries, the Arab Nations, upon our American businessmen. And so I fail to see why it would be so wrong for us as a nation to do what we can to solve this dilemma for them by means of an amendment of this type.

On page 4 of your statement you say, "The bill if enacted would deprive him"—the businessman—"of this choice since he would be prohibited by law from satisfying the boycott requirements of any country."

Are there other countries other than the Arab Nations who have these boycotts—

Mr. GILES. Not this precise kind at the moment so far as we are aware, and frankly we don't have in the Department of Commerce what we would regard as accurate up-to-date information as to the countermeasures that Israel may be taking in this area, and understandably so. But I make that observation because if this bill were enacted, it would apply to all future situations that might involve this sort of effort and to any country just so the two countries were friendly to us.

Mr. ST GERMAIN. So in essence what you mean here is that there might be a possibility in the future of a boycott being imposed by another friendly nation.

Mr. GILES. Yes, sir. Or restrictive trade practices, whatever that may be. And the way the bill is drawn, of course, it is not limited to the Arab-Israel situation but to any situation that might arise in the future involving any country or countries.

Mr. ST GERMAIN. But at the present time as far as you are aware, the only boycott in effect is the Arab-Israeli one?

Mr. GILES. Yes, sir.

Mr. ST GERMAIN. That is all, Mr. Chairman.

Mr. ASHLEY. Mr. Hansen?

Mr. HANSEN. Thank you, Mr. Chairman.

Mr. Giles, am I correct in the notion that at the present time there is no knowledge on your part of any pending action of this kind on the part of any other nation?

Mr. GILES. That is correct.

Mr. HANSEN. Or is there no action of this kind being carried on at this time? I am speaking now about the kind of regulations provided for in this bill.

Mr. GILES. I am not aware of any similar action at this time being carried on and I am not aware of any action of this sort which may be given consideration by any other countries at this time.

Mr. HANSEN. Is it conceivable that should this amendment become law we might be setting an example that would cause other nations to do likewise and, in other words, treat us in like kind?

Mr. GILES. I should think so. I think it is very conceivable.

Mr. HANSEN. One other point. I don't think it has been raised specifically although it was touched upon.

You indicated that in your judgment this type of regulation would be difficult to administer and to police. Aren't we getting into an area of censorship here?

Mr. GILES. I think you could give it that description, Congressman. I am not suggesting that the Congress doesn't have the authority, the legal authority to pass such a law. I would assume it probably does. I don't see offhand any constitutional prohibition, but our objection and questions go to the wisdom of it rather than the legality.

Mr. HANSEN. Well, now, I want to recall something that took place about a year ago, maybe a little longer. It had to do with the great furor we had in the Middle West about imported beef. There was quite a strong push made for legislation to be enacted then to stipulate exactly what yardstick should be used in measuring out the amount of beef we should have enter this country. In addition, there were those who took the position that this could be handled administratively.

If my recollection is correct, the administrative action was taken. The results of the administrative action were already in effect about the time the Congress got around to doing something about the problem.

At that point, then, of course, they ceased to have an interest in the matter and the problem doesn't exist at the moment. It may come up again 2 years from now, 4 or 5 years from now. Nonetheless, those who were saddled with the responsibility of looking after this proposition did take it in hand at the proper time.

I would like to have you explain to us, if you can, whether or not in your judgment, your Department or the Department of State could by administrative means handle a situation of this kind as it faces us today or should it arise in the future? Thusly we would be leaving you in a flexible position to function as you see fit whenever the necessity arose? In other words, what I am getting at is instead of having this amendment enacted, adding a clause to the report on the main bill recommending to your two agencies that are involved that you give consideration to administrative attention to this problem. Is this possible?

Mr. GILES. Well, sir, I am sure that the Secretary of Commerce would certainly give full consideration and would appreciate any suggestions that the committee might want to give him in its report. And I certainly would agree with the general premise that it is desirable as a matter of broad congressional policy to leave an area of broad discretion in the executive branch in carrying these things out rather than fastening something in the law itself.

I will have to be frank, though, Congressman, and say that I am not aware at this moment of any specific administrative action which the Department of Commerce could take which would achieve in detail the same objectives sought under this bill. And just what—in other words, just what specific administrative action might be taken as an analogy to the beef problem that you mentioned, I don't know at the moment, except that I am not aware of any specific proposal that would seem to the Department to really be effective and constructive.

Mr. HANSEN. What in your judgment would be created in the way of administrative problems should this amendment become law?

Mr. GILES. I think first we would have the question of having to determine what is or what would be in furtherance of a restrictive trade practice under the language of the bill. A boycott is more easily defined, I should think, and you can make a fairly objective determina-

tion, is this a boycott or not? But what is a restrictive trade practice which would come within the meaning of the bill and would specific action which is requested of American exporters if they complied with it, would that be in furtherance of restrictive trade practices within the prohibition of the bill?

I think that would present some administrative problems.

There would be the administrative problems of enforcement. How do we find out whether American businessmen are complying with these regulations?

And then as we mentioned previously, we think that to move into this area in this way would likely, very likely, have adverse effects on the cooperation that we get in other countries, both from their governments and their businessmen, in helping us enforce our Export Control Act insofar as it relates to the export or reexport of commodities and technical data that have a security significance for the country.

Mr. HANSEN. Thank you, Mr. Giles. No further questions.

Mr. ASHLEY. Are there any further questions of the witnesses? If not, Mr. Giles, we want to thank you for your appearance this morning, for the testimony you have given.

We have no further witnesses at this time. The intention of the chairman is to resume these hearings on Wednesday of next week at 10 o'clock.

Until Thursday at 10 o'clock the subcommittee stands adjourned.

(Whereupon, at 12:55 p.m. the subcommittee adjourned, to reconvene at 10 a.m. Thursday, May 20, 1965.)

# CONTINUATION OF AUTHORITY FOR REGULATION OF EXPORTS

and

## AMENDING THE EXPORT CONTROL ACT OF 1949

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THURSDAY, MAY 20, 1965

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON INTERNATIONAL TRADE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Thomas L. Ashley (chairman of the subcommittee) presiding.

Present: Representatives Ashley, Stephens, St Germain, Weltner, Gettys, Cabell, McGrath, Halpern, and Mize.

Mr. ASHLEY. The Subcommittee on International Trade will come to order.

This morning we meet for the further consideration of H.R. 7105, a bill to provide for continuation of authority for regulation of exports and for other purposes.

Our first witness this morning will be Senator Jacob K. Javits of New York, certainly one of the most distinguished and able Members of the other body.

Senator, we are glad to have you this morning. Proceed in any way that you wish.

### STATEMENT OF HON. JACOB K. JAVITS, A SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Thank you so much, Mr. Chairman. Senator Williams of New Jersey will follow me. He and I are cosponsors of this measure in the other body, and I have great satisfaction in appearing before this very distinguished subcommittee here in the House where I formerly represented a New York district up to 1954.

Mr. Chairman, I appear today in behalf of some 20 measures introduced in the House which are similar to S. 948, introduced on February 2 by Senator Harrison Williams of New Jersey and myself along with 29 cosponsors from both parties. The purpose of our bill, quite briefly, is to permit U.S. businessmen to take advantage of normal trade opportunities without fearing reprisals from foreign countries which attempt to interfere with this trade. It amends the Export Control Act of 1949 to prohibit domestic exporters from taking

any action, including the furnishing of information or the signing of agreements, in furtherance of restrictive trade practices or boycotts imposed by foreign countries against other foreign countries friendly to the United States.

At a time when our national efforts are bent to promoting international peace through the fostering of trade and commerce between nations, it becomes all the more desirable to enact the pending anti-boycott bill to further this end.

Mr. Chairman, with all respect, because I yield to no one in my support of the State Department, the President and the bipartisan foreign policy, I think this measure is really meant to stiffen the back of the State Department in a situation where it demonstrably needs stiffening.

Mr. Chairman, I have had much experience with this as have the Chair and other members of the subcommittee, and there is a certain inhibition in the State Department to deal firmly and across the board with a situation of this character. There is always that great temptation to feel, "Well, maybe they will come around, let us not burn our bridges," without recognizing that in this very type of situation—because we are dealing fundamentally with the Arab boycott of Israel and everybody doing business with Israel—the people who have stood up to it are the people who have done best. And so I believe that to live with the boycott—which has been the American policy as far as American business is concerned—is an invitation to challenge our policy objectives here and in other instances.

The facts of the boycott and its detrimental effect upon American business are very well known. They have been reported in the press. They have been made the subject of special studies. Other witnesses will testify to them.

I am sure the committee will introduce in due course, for example, the three articles which appeared in the New York Herald Tribune very recently, and unless the Chair is going to have them in any event, I would ask unanimous consent that they be made part of my statement.

Mr. ASHLEY. Without objection.

(The articles referred to follow:)

[From the New York Herald Tribune, May 13, 1965]

#### THE BUSINESS OF BOYCOTT

Arabs versus Israelis. It is not a game, like cowboys and Indians. It's a rivalry that constantly edges toward open warfare. Yesterday, Arab Nations started breaking relations with West Germany because it recognized Israel. That story is on page 9. For years, the Arabs have attempted to work a boycott against Israel, blacklisting firms that trade with Israel, that have Jewish officers or even, in some cases, trade with firms that trade with Israel. That policy comes before a House of Representatives subcommittee today. This is the first of three articles on the boycott. Research was begun by William Haddad 6 months ago and continued by Gershon Jacobson. It points out that one of the prime victims of the boycott is the American firm that is afraid to buck it.

#### ARAB PRESSURE ON U.S. CONCERNS

(By William Haddad and Gershon Jacobson)

Many American corporations and businesses—in what amounts to a business "Gentlemen's Agreement"—are quietly and unnecessarily capitulating to the pressures of the Arab boycott of Israel.

Ironically, while the Arab boycott is directed against Israel's economy, the hardest hit are American businessmen who complain that the boycott is morally

wrong but give in "because I must put the stockholders' views above my personal beliefs."

Aiding the success of the boycott is a peculiar combination of U.S. Government officials, chambers of commerce, trade associations, and businessmen.

Under conditions of the Arab boycott American businessmen who trade with Israel are blacklisted from doing business in the 12 countries of the Arab League.

The Arab economic boycott of Israel differs from any other act of economic warfare of one nation against another. It is not limited to the boycott of Israel goods and Israel firms. It extends to a secondary boycott of foreign firms doing business with Israel and in some instances to a tertiary boycott of foreign firms who have dealings with other foreign firms that are blacklisted by the Arabs.

In its investigation (which began last January) the Herald Tribune discovered a new dimension of the boycott: the use of American businessmen trading with the Arabs to apply economic pressure on those American companies which refused to stop dealing with Israel.

The boycott has its opponents, but so far they have been powerless to act.

Representative Thomas E. Morgan, Democrat, of Pennsylvania, powerful chairman of the House Foreign Affairs Committee, said the boycott "involves more than the relatively few Jewish and non-Jewish Americans who are directly affected; it involves a matter of national pride and respect." His thoughts were echoed by Senator Harrison Williams, Democrat, of New Jersey, author of legislation to halt such boycotts:

"It is not enough to say that we don't approve or condone these practices. We must not permit them. If we agree to this sort of boycott, then the American businessman becomes an unwilling pawn in every trade war in the world.

"Tomorrow the Indonesians can tell American businessmen that they cannot sell their goods in Malaysia. \* \* \* The U.S. businessman could be enlisted as a partner in every economic reprisal. We must not allow American businessmen to be used in this way."

In order to enforce its boycott, the Arabs must not only use the covert "Gentlemen's Agreement," but the overt, if reluctant, cooperation of the chamber of commerce and other trade associations.

Each invoice used with shipments to Arab nations must contain a certified statement that neither the goods nor any of its components were made in Israel and each company must certify that, among other things, none of its products are made in Israel, that it has no offices or affiliates there, that it does not use the Star of David on its products or take part or support propaganda activities on behalf of Israel.

Until recent years, American companies had to reveal their Jewish directors and managers. This practice is still used in other countries.

All these statements, to be accepted by the Arabs, must be certified by a chamber of commerce or trade association. Without this assistance, documentation to support the boycott would be difficult to obtain.

#### QUASHING

In New York City a Herald Tribune reporter, posing as a manufacturer, called the Commerce and Industry Association and asked if certification to meet the Arab demands could be obtained. Officials said it would be provided.

Many other cities also provide this assistance. In San Francisco, for instance, the chamber of commerce uses this language to comply with the Arab demands: " \* \* \* these articles are not of an Israel origin and no Israel products were used in their manufacture."

A determined effort by an indignant band of Congressmen to end these practices is now being quietly strangled by the State Department with an offstage assist from the Commerce Department.

The bitter battle between the administration and Congress may break into the open today.

Last week two New York Congressmen led an afternoon closed-door fight in the Banking and Currency Committee to dramatically reverse a decision, made that same morning, which would have effectively pigeonholed antiboycott legislation. The later decision provides for open hearings today.

The two, Abraham Multer, Democrat, of Brooklyn, and Seymour Halpern, Republican, of Queens, are part of a group of 21 Congressmen who introduced legislation to prohibit American businessmen from responding to boycott questions. Mr. Halpern's Republican friends on the committee provided the winning margin.

One of the most blatant uses of Arab pressure was applied to Tecumseh Products, a Michigan manufacturer of commercial and domestic compressors and condensing units for air conditioners.

For Tecumseh, the Middle East, with its hot, humid climate, was a good market for its products.

#### THREATS

In August 1958, Tecumseh signed a license agreement with Amcor, an Israeli firm to provide the know-how to build refrigeration compressors according to Tecumseh design.

Soon the company began to hear from the Central Office for the Boycott of Israel located in Damascus, Syria. The threatening letters were signed by a 40-year-old Egyptian lawyer, Mohammed Mahgoub.

Although his boycott office is nongovernmental, Mr. Mahgoub is responsible to the Economic Council of the Arab League and he carries the power to enforce his decisions.

In addition to the central boycott office, each Arab nation has its own boycott office.

For 4 years, Tecumseh resisted the pressure to drop its contract with Israel, but in 1962 new intimidations began to develop and these were not so easily resisted.

J. A. Galazzi, Tecumseh's vice president, told the Herald Tribune that large American refrigeration firms using Tecumseh products urged them to comply with the boycott.

"We are only suppliers," he said. "We had only one way to go. The whole thing cost us a tremendous amount of money and time and we lost the business in Israel."

#### PAINFUL

Recalling what he termed "the very painful experience," he said he was surprised that the pressure from his suppliers, many of whom sold in Arab countries, was so unanimous.

"Some very Jewish-oriented firms pressed us just as hard to comply with the boycott."

He said Washington provided "very little help \* \* \* they gave us a do-it-yourself kit."

The company also went to Damascus to plead its case.

The Arabs were firm. Tecumseh canceled its contract with Amcor.

The case is typical. Business International reported that among the firms struck from the blacklist are Philco, AMF, Schering, Firestone, Wyeth Laboratories, Shell, and Renault.

On the other hand, major corporations have held their ground and refused to give up Israel operations.

One of the first to put his foot down was Conrad Hilton, whose Nile Hilton is the pride of Egypt.

#### WARNING

When the Arabs learned he planned to build a Hilton hotel in Tel Aviv, Hilton received a letter from Alfred Lilienthal, a mysterious American and longtime secretary and counsel of the American-Arab Association of Commerce, an organization of major U.S. business firms dealing with the Arab countries.

Mr. Lilienthal wrote without restraint:

"Should Hilton Hotels persist in going ahead with its contract in Israel, it will mean the loss of your holdings in Cairo and the end of any plans you might have for Tunis, Baghdad, Jerusalem, or anywhere else in all Arab countries.

"It is important for me to put you on notice that the Arab visitors, including the Saudi royal family, Egyptian businessmen, and the general flow of persons from the Arab world that have frequented your major hotels in New York City and elsewhere throughout the country, will unfortunately come to an end. And it may well adversely affect the ability of American companies from continuing to bring important business to your well-known establishments."

Mr. Lilienthal threw in a personal note:

"I should personally add my own voice by asking you to consider whether your plan to enter into an economic relationship with Israel could possibly be worth the grave loss that you will be committing yourself to throughout the Arab world and in the United States."

Mr. Hilton, seething with anger, fired back:

"What the committee proposes is absolutely counter to the principles we live by and which we hold most dear \* \* \* our corporation finds it shocking that the committee should invoke the threat of boycott condemnation."

Their bluff called, the Arabs backed away, explaining that the profits which Hilton takes out of Israel are a drain on the economy.

Hilton has new ventures planned for the Arab world and the Tel Aviv Hilton opens later this year.

Chase Manhattan Bank had a similar experience earlier this year.

On July 4, 1964, Mr. Mahgoub issued an ultimatum to the bank that it was going to go on the blacklist because it was the fiscal agent for Israel bonds. Chase was given 6 months to sever its connections with Israel.

John J. McCloy, the experienced diplomat who is now a member of Chase's board, went to see Egypt's President Nasser in October, and last January the Arabs announced that Chase would not be blacklisted since its work with Israel was only of a banking "nature."

General Tire & Rubber found itself on the blacklist for selling know-how to Israel, but still manages to own a plant in Morocco.

Not everyone can afford to send an ambassador to see Colonel Nasser, so when Camera Clicks, a midtown photography studio, ran into trouble, it got in touch with the State Department.

#### DEMAND

Camera Clicks had sold slides to an Egyptian company for \$1,700 and instead of payment it received a demand for a notarized declaration that the concern wasn't doing business with Israel before it could receive its money.

Offended, the firm refused, and the State Department intervened. Six months later Camera Clicks not only got its money, but another order. This time, however, the American company was making demands:

"We would like it clearly understood in writing that no declaration of our business or personal relations with others would be made a condition of our continued business with you."

Despite these quiet breakthroughs, hundreds of American businessmen comply with Arab threats and terminate business with Israel (or say they do).

Israel officially maintains that the boycott isn't hurting, but others think the hurt is not in the businesses which stop servicing Israel, but in those which never come there in the first place.

#### ONE STORY

Mr. I. L. Kenen, editor of the Near East Report, recently reported the story of a prospective American investor in Israel, who, having secured a large mining concession, was trying to find partners for his venture.

Armed with statistics and reports attesting that the proposed venture would be profitable, he interviewed dozens of prospective partners.

Again and again, Mr. Kenen reported, American businessmen told him that they thought the idea was wonderful, that the profits tempted them, but that they could not invest for fear of Arab reprisal.

The erratic enforcement of the boycott, is due, in part, to the Arabs' need for certain materials and goods, and also to their unwillingness to put their boycott to every test for fear of arousing American public opinion.

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[From the New York Herald Tribune, May 14, 1965]

#### ARAB BOYCOTT HELPERS—STATE, COMMERCE DEPARTMENTS

(By Gershon Jacobson)

Congressional legislation to protect U.S. businessmen from the Arab boycott is being blocked by the aggressive opposition of the State Department and by the confused but effective policy of the Commerce Department, a Herald Tribune survey showed today.

Yesterday this was demonstrated publicly, as the administration made known its opposition to the legislation, saying it would obstruct U.S. foreign policy, hinder the boycott of Cuba and North Vietnam, harm American oversea trade, and probably would not help Israel very much.

Under conditions of the Arab boycott, American businessmen who trade with Israel are blacklisted by the Arab League. Hundreds of American businesses are now on the blacklist; but others by defying Arab policy, have been allowed to trade with both Israel and the Arab nations. Caught in between are American firms who terminate their business with Israel to stay in the good graces of the Arabs.

The key to the Arab intimidation are documents and certifications which Americans must supply about their businesses to keep their Arab trade.

Legislation pending in both the House and the Senate is designed to prohibit businessmen from complying with these boycott regulations, thus giving them a way out of their dilemma.

In the House, the antiboycotters are led by Representative James Roosevelt, Democrat, of California, and in the Senate by Senators Harrison Williams, Democrat, of New Jersey, and Jacob Javits, Republican, of New York.

In both Houses, the going has been tough, the pressures great. Last week nearly marked the end of antiboycott hopes, but a last-ditch fight by two determined Congressmen succeeded in keeping the legislation alive—but no one knows for how long: Antiboycott legislation just isn't popular in Washington.

Businessmen find distasteful the "gentlemen's agreement" compliance under which the State Department wants them to operate. Senator Williams has charged that with "this sort of boycott, the American businessman becomes an unwilling pawn in every trade war in the world. Tomorrow the Indonesians can tell American businessmen they cannot sell their goods in Malaysia.

But this same moral indignation is missing at both State and Commerce.

Early in March, after the Williams-Javits legislation was introduced, Assistant Secretary of State Douglas MacArthur II came around to reason with the legislators.

His arguments were familiar to the Senators.

"The Israeli are not for it," Mr. MacArthur said, "and we can do more, quietly, without the legislation."

He said the Israeli were not being hurt by the boycott and that public hearings would aggravate the boycott.

#### A DARE

The Senators urged—some say dared—the State Department to make its position public, but without result.

At one point in the discussions with other State Department representatives, the proposed hearings were characterized as "a trooping of the Zionist colors," infuriating the antiboycott leaders.

Slowly but surely, the State Department went to work on the Congress, spreading its argument—and brought a biting retort from Senator Williams. In a fact sheet sent to his fellow legislators, Senator Williams answered the charges point by point:

The Israeli are not interested in the bill. This is incorrect. Deputy Prime Minister Abba Eban called it "an important contribution to international trade morality."

The boycott is not hurting Israel. It has hurt Israel. There are U.S. suppliers who avoid the exploitation of market opportunities in Israel because of fears, imagined or real, of the Arab boycott.

But State persisted. In an unpublished letter to the chairman of the Committee on Banking and Currency, Senator A. Willis Robertson, Democrat, of Virginia, the Department concludes:

"For reasons which I have set forth this Department does not favor adoption of S. 948."

The letter, signed by Mr. MacArthur, also contains this revealing line:

"The Bureau of the Budget advises that from the standpoint of the administration's program, there is no objection to the submission of this report."

In the language of official Washington, this means that a consensus exists between the various Cabinet departments concerned.

Despite this, Commerce Secretary John Connor told a House committee last Wednesday that his Department had not yet formed its position.

Earlier in the week, meeting with business leaders, the Secretary described the boycott as "atrocious" and explained that his own drug company, Merck, had been on and off the blacklist. But on Thursday, business leaders opposed to the boycott learned that the Commerce Department already had submitted its opposition to the Budget Bureau—a fact seemingly confirmed by the April 28 letter.

Adding to the confusion were reports to some business leaders that former Under Secretary of Commerce Franklin D. Roosevelt, Jr., was trying to get his Department's stand reversed—and was receiving a sympathetic hearing from Secretary Connor. But Jewish leaders already are upset with Commerce's position on another boycott matter. Earlier this year, they called to the Herald Tribune's attention an article appearing in the December 21, 1964, issue of International Commerce, an official publication of the Department.

Under the heading of "World Trade Opportunities, Saudi Arabia," a business venture was described and then this item was added:

"Past record of the firm's performance as concerns cost of services, quality of work and the number and complete biographical data of the staff to be appointed by the firm."

Jewish leaders were familiar with this technique of determining if a firm had Jewish executives.

Using an assumed name, a Herald Tribune reporter questioned the Commerce Department about the advertisement, charging that Federal funds were underwriting discriminatory advertising. The Herald Tribune received this reply:

"Difficult judgments must sometimes be made in cases where the facts are not clear cut. In the one you cite, we concluded that the U.S. interests would be promoted by letting U.S. firms know what information would have to be provided by firms wishing to submit proposals." Under New York State law, the Jewish leaders said, such advertising would not be permitted. For it to be allowed and defended in an official Government publication is just another example, to them, of the Government's unwillingness to combat the boycott.

On May 3, congressional antiboycott leaders suddenly discovered that the House Banking and Currency Committee intended to bypass their antiboycott amendment to the Export Control Act of 1949, organizing a bipartisan effort. They were determined to fight this.

At 9:30 a.m. last Wednesday, Representative Roosevelt received permission to represent the 21 House sponsors of antiboycott legislation. He was called to appear at 10 a.m. He made a vigorous presentation, but to no avail. At the end of the morning session, the committee voted 14 to 12 to defer action on the legislation. But when the committee reconvened 3 hours later, the committee was in for a surprise. Two New Yorkers, Representative Abraham Multer, Democrat, of Brooklyn, and Representative Seymour Halpern, Republican, of Queens, stubbornly refused to go along with the morning vote. When the smoke cleared, Halpern had lined up his Republican colleagues and the morning's action was reversed, 18 to 12.

Under the new arrangement, the parent legislation—the Export Control Act—could not be heard until the antiboycott legislation was considered. But the basic split between the administration and the antiboycott leaders still exists. It was fanned during the heated executive committee debate when the antiboycott proposal was branded "emotional and controversial."

Today, antiboycott leaders are having a hard time lining up the major corporations to testify. Many beg off, afraid of the economic reprisals they may face and unsure of what to do to counter the State Department's opposition. One reluctant witness put it this way:

"Why should we be the scapegoats? The Government itself tells us to play ball with the Arabs.

"Sure, none of us likes the idea of someone else telling us how to run our business. We don't like the precedent. Frankly, it's a little frightening to think that we can be caught up in everyone else's little war. There was a time in our history when we went to war over hindrances to trade. But not today.

"And who's leading the pack of cowards? The State Department. You find someone else to stick his neck out."

[From the New York Herald Tribune, May 16, 1965]

This is the last of three articles describing the Arabs' economic boycott against Israel. Research was begun 6 months ago by William Haddad and continued by Gershon Jacobson.

#### HOW AMERICANS COOPERATE WITH ISRAEL BOYCOTT

(By William Haddad and Gershon Jacobson)

The United States is one of the few nations which cooperate—privately, commercially, and diplomatically—with the Arab boycott of Israel. Legislation be-

fore both Houses of Congress is designed to end this cooperation. Under this legislation, a U.S. firm would have to refuse to divulge any information about its commercial investments in, or dealings with, a friendly nation. It also would have to refuse to sign any agreement not to deal with the boycotted country.

This mild way out for harrassed businessmen was the idea of the American Israel Chamber of Commerce. The State Department, while officially deploring the boycott, nevertheless is attempting vigorously to block this legislation. And without the assistance of local chambers of commerce and trade associations, documentation to support the boycott would be difficult. The Arabs require, and many chambers supply, certification that none of the materials used in a product come from Israel.

Some businesses will reveal the religion of their officials and employees. Others will certify that they are not contributing to Jewish causes. With varying degrees of candor, American businessmen will certify to the Arabs as a condition of trade that they do not own shares in an Israeli corporation; that they don't invest in an already blacklisted company (even if it is an American corporation); that they don't license patents, trademarks or copyrights to Israeli firms; that they won't use the Israeli Star of David as a trademark; that they won't lend money or provide financial aid in any form to Israeli companies; and that they won't take part or support propaganda activities on behalf of Israel.

#### UNIQUELY UNITED STATES

This lack of indignation is uniquely American.

Take France for example. Last year, the Arab boycott office threatened to blacklist French companies unless they ousted Gen. Pierre Koenig from their boards. (One of these companies was a major French oil prospecting and refining combine with activities in Algeria, a member of the Arab League.) Gen. Koenig was commander of all French resistance forces during World War II. A Roman Catholic, he is president of the French-Israel Alliance Committee, a group which includes 200 French parliamentarians.

Unlike the United States, the threatened boycott evoked both official and business opposition. Two influential members of the French Parliament warned the Arab States that only by dropping their boycott threats could they "preserve their ties with France." And a spokesman for the French Foreign Ministry declared: "We are treating this Arab threat with the disdain which it warrants. The affair is too sordid and ugly to call for our intervention."

#### ITALIAN DEFIANCE

When the boycott threat reached Italy, the Italian chambers of commerce rose up in defiance. It sent a letter to all its members urging them not to issue the certificates required by the Arabs. At first some Arab nations refused to accept Italian shipments without the certificates. Italian goods accumulated at the port of Basra, Iraq. The signing of an Iraqi trade pact was postponed a week. Finally, the Iraqis accepted the goods without the certificates.

In Great Britain, the resignation under Arab pressure of Lord Mancroft from the board of the Norwich Union Insurance Societies resulted in widespread protests which forced the company to ask Lord Mancroft to return. He refused. But Britain was aroused—and stayed indignant. Even the international chamber of commerce condemned the boycott and advised other chambers not to issue the certificates required by the Arabs. Most don't.

But the United States does.

While many U.S. local chambers comply with the Arab demand, some don't. The Metropolitan Washington (D.C.) Board of Trade is adamant in refusing to certify the goods. In Nashville, Tenn., the chamber, when asked to validate a certificate, sent it back to the manufacturer with this comment:

#### UN-AMERICAN

"I would emphatically decline to share in, or approve of, a discriminatory practice, one so clearly un-American and in violation of our conception of the rights we treasure."

In contrast, one major U.S. manufacturer provided his customers with this stamp on bills of lading destined for Arab nations:

"We hereby certify that the goods or services enumerated in this invoice are not of Israel origin nor do they contain any Israel materials."

Some giant U.S. corporations, like Goodyear, react to the boycott, then back-track. Goodyear dropped its Israel agent in 1962. The Israel Ministry of Defense Mission in New York tried to order Goodyear tires and was told that from now on the company would deal only through an intermediary. Goodyear's London office was more candid. They admitted outright that this new indirection resulted from Arab pressure.

For 2 years the Israelis tried to get Goodyear to change its policy. Then, during the Herald Tribune's investigation of Goodyear, the Goodyear policy was suddenly changed and an agent appointed in Israel.

On the other hand, when the Emkol Export Corp., 44 Whitehall Street, New York, was threatened, it reacted this way: "Please note that as an American company we enjoy our freedom of trade and no one can dictate to us with whom we should do business. It is our policy not to disclose to anyone the names of our customers with whom we are dealing."

And there is the lady in Dallas, Tex., who operates a small giftshop. She ordered some gloves from an Israel manufacturer. She soon received a threatening letter and questionnaire from the Arab boycott office—and was outraged.

#### POLICIES

The State and Commerce Departments have official policies of opposing the boycott. Still, it is evident that they don't want to alter what they consider the "delicate balance" in the Middle East. The State Department prefers to handle the matter privately. There is clear evidence that those with the courage, as a business and as a nation, to stand up to the Arab League on the boycott, have won more times than they have lost.

What troubles the Congressmen leading this fight is that the moral indignation from the Government and from the business community is missing. Some blame it on a lack of facts. Others see more sinister answers. A few consider it a trend of American life, a willingness to accept situations which were intolerable at an earlier point in our history.

The boycott is 15 years old. It will grow older unless the fight which began Thursday in Congress is successful.

Senator JAVITS. I will not go over all the detail except to say that Senator Williams and I are animated by the fact that this is a historic American tradition with respect to foreign boycotts. It goes back to the very origins of the country when we were a fledgling nation. We just did not hesitate to take on anybody, even when it meant shooting, if it involved an effort to inhibit our trade anywhere in the world.

Of course we have a policy today, too, with respect to trade with Cuba and Communist China. It is very important that we, in our own policy, show the differentiation—and the clear differentiation—between what we do in our policy and what we expect others to do, as far as we are concerned.

To take our own policy, which represents a boycott of these two Communist nations, which is basic in our policy, we do not try to inhibit other people who may do business with Cuba or Communist China except as to specific materials, whereas the Arab boycott applies to all goods and services.

Our export control program on that score is tied to U.S.-produced products, and inquiries to foreign firms are confined to U.S.-produced products. The Arab boycott is tied to the products of Israel, which is a third country, and endeavors to interfere with firms that do business in Israel, again a third country.

We do not demand of a foreign firm assurances that it does not conduct trade in non-American goods with Communist China or Cuba. The Arab boycott offices do seek to acquire from American firms information on whether they trade with Israel or with Israel products. We do not ask foreign firms, for example, whether their officers, owners, and employees are Jewish or not, as do the Arab boycott questionnaires.

I think, Mr. Chairman, that is one of the most reprehensible aspects of this whole operation.

We do not automatically bar foreign firms selling to Cuba or Communist China. We deal with them on a case-by-case basis, dealing with the ships which call at Cuban or Communist Chinese ports. The Arab boycott, on the other hand, blacklists or seeks to blacklist from trade in all Arab countries any U.S. firm trading with Israel.

While we impose certain restrictions on foreign vessels carrying banned goods to these two countries, these restrictions do not apply across the board to the company owning the ships, nor are these ships themselves barred from U.S. ports. However, American ships which call at Israel ports are barred from the Arab ports, and the firms owning them run the danger of being blacklisted.

I give a typical example of a British firm selling British-produced trucks to Cuba. The British company is not barred from selling its trucks or other equipment in the United States, much as we may protest the action which they have taken in making the original sale. But if this same firm should sell trucks to Israel, then the company would be barred from business in all the Arab nations.

Now, in conclusion, Mr. Chairman, may I point out one thing. In a case like Germany, where for example, the Government has refused to be a party to helping the boycott practices, these practices have generally fallen of their own weight. But where, as in our case, the Government allows itself to be used, even though it is very reluctant to do so and very unhappy about it, and where the Government and Government agencies allow themselves to be used in any element of what is the total boycott plan, then the boycott sticks and sticks pretty hard.

What this bill is designed to do is to make up the State Department's mind for it. That really is in essence, what it is about. The Department could do it itself as a matter of American policy by saying we will have no truck with anything which contributes to the boycott. But they do not choose to do that as a matter of foreign policy so that, as sometimes happens, the Congress if it is so minded—and that is what my colleagues and I who are sponsoring these measures in both the House and the Senate are urging—should make up the Department's mind for it.

In this case, as the State Department has not followed a policy which it ought to follow in respect to trade, a matter uniquely within the province and constitutional authority of the Congress, we should, by what is entirely lawful and constitutional exercise of our authority, make up the State Department's mind for it.

Thank you, Mr. Chairman.

(Senator Javits' statement in full follows:)

STATEMENT OF HON. JACOB K. JAVITS, A SENATOR FROM THE STATE OF NEW YORK

I appear today in behalf of some 20 measures introduced in the House which are similar to S. 948, introduced on February 2 by Senator Harrison Williams, of New Jersey, and myself along with 29 cosponsors from both parties. The purpose of our bill, quite briefly, is to permit U.S. businessmen to take advantage of normal trade opportunities without fearing reprisals from foreign countries which attempt to

interfere with this trade. It amends the Export Control Act of 1949 to prohibit domestic exporters from taking any action, including the furnishing of information or the signing of agreements, in furtherance of restrictive trade practices or boycotts imposed by foreign countries against other foreign countries friendly to the United States.

At a time when our national efforts are bent to promoting international peace through the fostering of trade and commerce between nations, it becomes all the more desirable to enact the pending anti-boycott bill to further this end. This measure, too, would serve to stiffen the back of the State Department in a situation where it demonstrably needs stiffening.

At a time when the need for firmness in foreign policy seems to be recognized by the administration, our policy with respect to the Arab boycott is one of weakness. To "live with" the boycott of American businesses has been the U.S. policy and it is an invitation to challenge our policy objectives in other instances.

The facts of the Arab boycott and its detrimental effect upon American firms and individuals with which this bill is designed to deal are well known. They have been reported in the press and have been the subject of special studies which have been made available to Members of the Congress from time to time. Other witnesses before your committee will go into further detail with respect to these facts from their own firsthand knowledge. While I do not intend to repeat this information here, I do believe that it is worthy of emphasis that no source, governmental or private, denies the existence of the boycott nor its adverse effect upon American business. What is at issue is the means to deal with it. I shall direct my testimony to this end.

The antiboycott bill is in accord with historic American tradition with respect to foreign boycotts and has also the virtue of being consistent with present U.S. policy with respect to trade with Cuba and Communist China. It would serve well to point up here some of the significant differences between the Arab boycott as it affects United States firms and the United States export control programs as they relate to Cuba and Communist China.

The American export control program with respect to third countries deals only with specific materials. The Arab boycott applies to all goods and services. Our export control program is tied to U.S.-produced products, and inquiries to foreign firms are confined to these goods. The Arab boycott is tied to the products of a third country, Israel or those who do business there.

The United States does not demand of a foreign firm assurances that it does not conduct trade in non-American goods with Communist China or Cuba. The Arab boycott offices do seek to require of American firms information on whether they trade with Israel or with Israel products. The United States does not ask foreign-owned firms for personal information about officers, owners, and employees as do the Arab boycott questionnaires to American firms which have sought to determine whether United States citizen officers, owners, or employees are of the Jewish faith.

Foreign firms selling to Cuba or Communist China are not barred from all trade in the United States. The Arab boycott, on the other hand, seeks to blacklist from trade in all Arab countries any United States firm trading with Israel.

While certain restrictions are imposed on foreign vessels carrying banned goods to the Communists, these restrictions do not apply to the company owning the ships nor are these ships barred from United States ports. American ships which call at Israel ports are barred from Arab ports and the firms owning them run the danger of being blacklisted.

Let me cite a hypothetical case contrasting the Arab boycott with our own export control programs. Let us assume that a British firm sells British-produced trucks to Cuba. The British company is not barred from selling its trucks or other equipment in the United States. However, if that same British firm should sell trucks to Israel, the company could be barred by the Arab boycott from trading with Arab nations.

Thus, legislation preventing the Arab boycott from imposing on American businesses and individuals is a matter apart from our own export control programs with respect to Cuba and Communist China and would not interfere with them.

Neither are there facts to substantiate the allegation that this legislation would adversely affect our relations with Arab States.

First, the fact that the Congress in legislation, in debate, and in reports—especially in recent months—has indicated its distaste with the actions of the United Arab Republic has not markedly impaired our relations with President Nasser, his government, or his allies.

Second, as other testimony has indicated, even the more intransigent of the Arab States recognize their own economic self interest and have—when their boycott threats have been denied—nonetheless refrained from applying a final boycott.

Third, the recent statements by Tunisian President Habib Bourguiba and the affirmative reception they received in some parts of the Arab world is a clear indication that the Arab nations are not as one in their implacable opposition to the very existence of Israel and that in some Arab quarters there is an open willingness to acknowledge that Arabs and Israelis can under given conditions live and prosper together.

Then, there is the attitude of American businesses with respect to the pending legislation. While there are numerous instances of U.S. foreign traders supporting the antiboycott bill—and a typical number of them are testifying before this committee—I know of no declaration by an American business opposing the bill.

These facts, then, point up the fact that the enactment of the pending legislation is consistent with traditional U.S. policy and will effectively support the resistance by American business to the Arab boycott or any similar foreign restraint upon U.S. trade which might be applied in the future. I urge, therefore, the committee to favorably consider the House companion measures to S. 948.

Mr. ASHLEY. Thank you, Senator.

I was interested in a statement in the first paragraph of your testimony. You state:

The purpose of our bill, quite briefly, is to permit U.S. businessmen to take advantage of normal trade opportunities without fearing reprisals from foreign countries which attempt to interfere with this trade.

Would the effect of your bill be to allow U.S. businessmen to take advantage of normal trade opportunities?

Senator JAVITS. If you use the words "take advantage," Mr. Chairman, to mean some improper edge, of course the effect of the bill would not be that. But if you use the words "take advantage" to mean equal opportunity, which is what we should have said—I think the words would then have been much clearer—then that is the purpose of the bill. It leaves American businessmen able to trade and at least gives them some help in not being inhibited by this Arab boycott from trading or in competing for trade opportunities which are available.

Mr. ASHLEY. Is it not true, Senator, the thrust of your bill is a prohibition in terms of American businessmen rather than the boycotting countries?

Senator JAVITS. Exactly right. It applies only to the American businessman and what he is or is not permitted to disclose, the disclosures being an essential element of the boycott scheme.

Mr. ASHLEY. You mentioned Germany, Senator. And of course the Arab countries, some of the Arab countries have cut off diplomatic relations, as I understand it, because of West Germany's recognition of Israel.

Senator JAVITS. They have.

Mr. ASHLEY. Now, the cessation of diplomatic relations was not the result of West Germany's insistence upon trade with Israel. It was simply diplomatic recognition of Israel.

Senator JAVITS. Exactly, Mr. Chairman, and as a matter of fact, the point that I made was that West Germany stood up to the Arab boycott by refusing to allow its businessmen—and itself—to give information which is essential to carry on the boycott. That long antedated the rupture of relations, and there was no interruption of the business done by German businessmen in the Arab countries.

Mr. ASHLEY. But more was involved there than just the Arab boycott, was it not, Senator?

Senator JAVITS. The example I gave antedated the rupture of relations, of diplomatic relations. The Chair is quite right that the breaking off of diplomatic relations had a different cause, and came later than the instances that I refer to.

The Germans never did allow the Arabs to utilize information which they furnished for the purpose of helping the Arabs maintain their boycott, and the German Government inhibited its own businessmen from giving that information. They did by practice what we are talking about doing by statute, and they did theirs long before the time when this diplomatic break came about, and they got away with it in the sense that there was no boycott of the German businessman.

Mr. ASHLEY. You say that the Germans did by practice what you seek to do by statute.

Senator JAVITS. Right.

Mr. ASHLEY. Amplify on that a little if you can, Senator. What do you mean they did by practice? You mean they persuaded their businessmen to not be inclined to give certificates of origin in the questionnaires?

Senator JAVITS. They did two things. First, the Government itself would have no part in answering questions or anything else; and second, the relationship between business and foreign offices in Europe is very different from what it is here—there is a very close and intimate relationship between most foreign affairs chanceries in Europe and the

business community. In Europe—and as a matter of fact, this could be done here if the State Department would only do it—if the foreign affairs minister declares to the business community that it is against the policy of the country for them to cooperate by giving the information on this boycott, businessmen will not cooperate, and they will invoke that declaration as their reason for not doing so. This is exactly what has happened.

Now, in my judgment, our own State Department—and this is digressing a bit—is very remiss in not establishing a relationship to the business community of a much closer character in this regard. But it has always been American policy, for example, when a businessman comes to the State Department and says "Shall I go into Project A or Project B?"—let us say, just for the sake of discussion, in Ghana—it is very rare that the Department will advise him. It refuses generally, to take any responsibility in these matters, and this carries through in a matter of this character as well. That is why I say the relationship between these foreign affairs chanceries in Europe and the business community is very much different from what it is in this country, so that in Germany it was found entirely practical to do this very thing without legislation.

MR. ASHLEY. I appreciate the differences, and that has been a very valuable contribution, Senator.

I have just one further and final question. Do you know—and I ask this because you are a student of this situation—do you know of any of the countries to which the boycott has been directed that have responded to the boycott through legislation?

SENATOR JAVITS. Mr. Chairman, may I have the privilege of researching that question and submitting a letter to the Chair on that subject? I think it is a very pertinent question.

MR. ASHLEY. Exactly. I would appreciate it very much if that could be done.

SENATOR JAVITS. I will take that responsibility.

MR. ASHLEY. There is considerable interest in that.

SENATOR JAVITS. And endeavor to make it as authoritative as I humanly can.

MR. ASHLEY. Thank you very much.

(The information referred to follows:)

#### REPLY OF SENATOR JAVITS TO REQUEST OF MR. ASHLEY

This memorandum is submitted as a result of the inquiry by Representative Ashley with respect to the response by foreign governments through legislation to the Arab boycott. In the brief span of time between the hearings and the submission of this memorandum, the Library of Congress has been unable to find any legislation enacted by foreign parliaments that would fit this description. Because of the lack of immediately available materials on this subject, a comprehensive survey would take considerable time.

However, there is information with respect to positions taken against the Arab boycott outside of the realm of specific legislation which parallel the issue presently before this committee. Some examples follow:

In January of this year, the ministers for foreign affairs of France and the German Federal Republic set up a coordinating office to deal with problems arising from the Arab boycott of Israel. The two ministries decided to issue a circular to all French and German firms advising them to refrain from answering the letters of intimidation of the Arab boycott office. The two ministries also approached all trade organizations within their respective countries.

The Unione Italiana delle Camere di Commercio, the Union of Italian Chambers of Commerce, which is a governmental agency, on May 22, 1963, circularized all

Italian chambers of commerce with the object of bringing about a unified action against the negative certificate of origin. The chambers were asked to certify only the signature of the directors of companies. When asked to certify also the veracity of the contents of the declaration of the firms, the chambers were advised to answer in the negative.

Mr. ASHLEY. Now, I understand the press of your schedule, Senator, and while the other members might like to question you, Senator, I would like to say and make it clear that the Senator is anxious to return to the other side of the Capitol quite quickly, so let us try to limit our questions. Mr. Halpern?

Mr. HALPERN. Mr. Chairman, I will be very brief. I realize the heavy and busy schedule of the witness, and I want to commend him for his most admirable presentation this morning. We are much enlightened by it, and he has contributed considerably to our evaluation of this legislation.

I would like to ask the distinguished Senator, does not this legislation raise a fundamental principle that we should resist any attempt by foreign countries to interfere with our commerce with friendly nations?

Senator JAVITS. No question about it. This is the great American tradition which we are invoking here, just as I might say to my colleagues—and I see Mr. Celler is here—I am a little embarrassed to have preceded him here, though my time is so very difficult this morning—I might say to my colleagues that a very similar tradition was just invoked in the Senate in voting a protest resolution against anti-Jewish acts in the Soviet Union.

This, as in the interference with international trade, we have a long-standing tradition of protest against any type of persecution on racial or religious grounds anywhere in the world. We are really invoking a very longstanding tradition, going back to U.S. resistance to the Sultan of Tripoli in the early days of this Republic.

Mr. HALPERN. Do you feel, Senator, in this instance that this is not a matter of foreign policy, that it is a commercial matter and that the aggrieved parties are not the Arabs or the Israelis but the American businessmen who for 15 years have been subjected to this harassment, and obviously nothing or little if anything has been done for them?

Senator JAVITS. Yes.

Mr. HALPERN. I gather from your testimony that you agree that the State Department has been very ineffective in lessening the effect of this boycott. American firms are obviously still being harassed.

Does this not demonstrate the need for measures more effective than those taken by the State Department through the years, and do you feel this can be done without the aid or the protective legislation such as you propose?

Senator JAVITS. I think, having waited 15 years to see something effective done on a matter as barefaced as this, we should enact legislation.

Mr. HALPERN. Now, in your own examination of this subject, Senator, have you learned of any single individual American firm that has come out against this amendment?

Senator JAVITS. Against this amendment?

Mr. HALPERN. Against it.

Senator JAVITS. Oh, no, no. The business accord has been uniform. I will be very interested to see if anyone appears in opposition before

this committee or the Senate committee. But so far, I know of no one.

Mr. HALPERN. Would you not agree—and this is my last question, Mr. Chairman—that the motivation behind this boycott is political?

Senator JAVITS. There is no question about that, and the Arabs frankly announce it. In fact the Arab boycott policy is frankly punitive, not just political. It is to punish Israel or anybody who does business with Israel, and so long as the Arabs get by with it, they consider it a big success. They are not a bit worried about its meaning in terms of international trade.

Mr. HALPERN. And there is absolutely no economic reasoning such as with the application of a tariff. Would you go one step further and say that by inference the United States is accepting an association with a foreign political objective by not enacting legislation such as this?

Senator JAVITS. We are, by not clamping down on this practice, implicitly—I know completely unwittingly and against anybody's desires in the State Department—but we are nonetheless aiding this boycott, and so as long as this has to be prevented, then the Congress should do it.

Mr. HALPERN. That is all, Mr. Chairman.

Mr. ASHLEY. Mr. St Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Actually when analyzing the testimony of the witnesses who appeared against the proposed amendment last week from Commerce and from State, they made two arguments against it. Number one was the impact on foreign policy. I note on page 2 of your statement, you state in view of the debate and legislation that has been voted upon in recent months directed against the Arab countries, you feel that since there have been no results, adverse results, and, that as a result of this particular amendment, if it were to be successful, you do not feel as though there would be any adverse effect on our relations with these Arab countries.

Senator JAVITS. My answer to that is "Yes," and my answer also is that if there is an adverse effect, we have to risk it, because I think what is at stake here warrants the risk. But I do not believe there will be. That has been the history of our relationship.

Mr. ST GERMAIN. Thank you. And another one that I thought was rather ridiculous—the other argument was that should we pass or adopt this amendment, it would make business that much more difficult for our firms in that the Arab countries would then use other means of obtaining the information that they seek to obtain from these questionnaires.

Now, would you not agree that they are already using all of these means?

Senator JAVITS. I am positive of that, that they are using everything they can, but it is generally considered that the main reliance is upon the information disclosed by the companies themselves.

Mr. ST GERMAIN. And would you agree, Senator, the State Department claimed last week that as a result of these questionnaires and these negative certificates that are requested from them—would you not agree in essence they have not really been very effective in helping our American business firms? In fact I read one quote where one businessman said that when he complained to the State Department

of his difficulties in this area, he was sent the usual do-it-yourself kit.

Senator JAVITS. As a practical matter, the main focal point of American reaction to this is in the answer of the business firms themselves, and in the certificates which are executed by chambers of commerce in various parts of the country. This is a mechanism which would be inhibited by this bill.

Mr. ST GERMAIN. Another point that was brought out by one of the witnesses testifying last week is that the American businessmen have learned to live with this situation. What would your comment be on that?

Senator JAVITS. I think you can learn to live with anything, Mr. Chairman, but it is nonetheless onerous. There have been instances of cancellations, for example, of people who were doing business in Israel or doing business with Israel when the boycott finally caught up with them. There have not been the—the preponderance has been of efforts to live with the boycott rather than defiance of it, which is what you would expect of any American.

Mr. ST GERMAIN. And lastly, Senator, you mentioned that you know of no declaration by big American business firms opposing this bill. I would commend you on that particular statement, because that was brought out last week when they testified against the bill; they said that they had not heard from any business firms approving of this legislation, and in answer to one of my questions when I asked them if they had any opposition, they had to admit that there was no opposition to the legislation.

Senator JAVITS. In fact, the business firm which would proceed to favor the legislation would make itself immediately vulnerable to these very Arab States, which would use that as prime evidence against them, so that you can understand why you would not have any cheering in the grandstands.

I think the absence of any opposition is very significant.

Mr. ST GERMAIN. Thank you.

Mr. ASHLEY. Mr. Weltner?

Mr. WELTNER. Thank you, Mr. Chairman.

Senator JAVITS, if this bill passes and the boycott practice of the Arab nations remains unchanged, would not the American businessman be deprived of his choice of trading with either the Arab States or with Israel?

Senator JAVITS. I think, after all, the Arab States will trade with him. The only way that you could figure this to work is if the Arabs cease doing business with all American firms—in other words, if the American firm can not give them information and they treat the lack of information as a negative response. My belief is—at least the history heretofore up to now has shown—that they will not do that.

When the Arabs are faced with a tough alternative, as they were even by the Chase Manhattan Bank, they will generally find some reason for saying, “Well, it does not quite apply.” And in this case, of course, you are dealing with force majeure.

In other words, if the U.S. Government says, “You may not disclose,” then the businessman has a perfectly proper juridical reason for not disclosing, and it should protect him insofar as the Arab States are concerned.

Now, I am not saying that the Arabs are not going to try to fight this with whatever weapons they have at their command, but I am pointing out that in other cases where people have stood up to them, they have not persisted. And, secondly, we have got to be sure before we do it—we cannot be cozy about it. It is worth doing in and of itself, and that is an American responsibility which we have to carry.

The trade with the Arab States is not all that great, incidentally, for the American firms.

Mr. WELTNER. A businessman today is being forced to make a choice by the boycott authors, not by the United States or any instrumentality of the United States. Should this bill pass, I would envisage that any exporter who gave information to the boycott office would be denied an export license, is that not the purpose?

Senator JAVITS. That is the essence of the bill.

Mr. WELTNER. So then the U.S. Government would, by virtue of this bill, be depriving the businessman of the opportunity to trade with Israel or the Arab States, is it not?

Senator JAVITS. I do not think so.

Mr. WELTNER. I am just trying to determine the practical effect of this legislation. I am not arguing the validity of the boycott or the evil thereof. But as a practical matter if the bill passes, the American businessman would have to choose by virtue of the provisions of the statutes of the United States, whether he is going to trade with Israel or going to trade with the Arab nations.

Senator JAVITS. That is not so, because you presuppose the Arab States will then cut off all American firms. I do not agree with that. History has shown they do not do that. When faced with that kind of a decision, they do not do it.

Mr. WELTNER. My first question was: If it remains unchanged, what would be the effect?

Senator JAVITS. If it remains unchanged, they will not cut off the business, because so far when countries—and I gave Germany as an example—stand up to them, they do not end their relations, and when a firm stands up to them, they do not end their relations.

Mr. WELTNER. Well, would that follow through that if a firm stands up to the boycott office now in the United States, that those relations would not be cut off?

Senator JAVITS. That has been the history. The Chase Manhattan Bank stood up to them, and they are still doing business in the Arab—

Mr. WELTNER. If that is the case, do we need the legislation?

Senator JAVITS. We do, because we never know whether the situation will not work out that way. The backing and support of what is our national policy is invaluable to the businessman who may not feel himself quite as strong as the Chase Manhattan Bank. Why should he not have this support if it is so completely consonant with American policy?

Mr. St GERMAIN. Would the gentleman yield?

Mr. WELTNER. One moment and I will.

If U.S. policy were clearly stated in the form of a resolution which would condemn the boycott on a matter of principle and state that the United States is opposed thereto, would that not be a clear statement of American policy, and it would serve to mitigate the evils

of the boycott without placing this burden on the American businessman.

Senator JAVITS. We have done that on a number of occasions, Mr. Weltner, without success. We have included in the foreign aid bill time and again declarations condemning the boycott. The State Department claims it has made the most vigorous protests to Mr. Nasser and to the other States that are participating, and it has not meant a thing. The American businessman is at the mercy of the boycott practice until he gets some backing from the U.S. Government, and that is what we propose that he get.

Mr. WELTNER. I thank the Senator for his responses.

Mr. ASHLEY. Mr. Mize.

Mr. MIZE. Senator, to enforce our own program of economic denial, we need the assistance and cooperation of foreign firms and governments, and we call upon for substantial amounts of information, as I understand it. This information in large part is similar to that which H.R. 627 would prevent American firms from furnishing. Now, if this bill is enacted, would it not provide justifications for foreign governments to refuse to furnish this type of information and to prohibit their firms from doing so as well?

Senator JAVITS. In the first place, foreign governments have as much plenary power as we do, and they can prohibit their people if they wish in any case. All trade and the interest in trade are obviously reciprocal, and the reason that people do not bedevil your trade is because they do not want you to bedevil theirs.

I think a measure like this would have such great sympathy from other trading nations. Everybody is being troubled by this situation, and there is such a proper substantive cause for it, that I do not believe it would have that effect. You might just as well say that because we say to the British they ought not trade with Cuba, and we have certain restrictions on that score, they might say to us that we should not trade with somebody else or they will cut us off. That kind of retaliation is entirely possible. You must proceed only if you have some just cause.

I think that after 15 years, this cause is so just that it will not involve any feeling on the part of our trading partners that we are being arbitrary. On the contrary, it is long overdue.

Mr. MIZE. Thank you.

Mr. ASHLEY. Mr. Gettys.

Mr. GETTYS. Mr. Chairman.

Senator, I believe you stated that this boycott is political.

Senator JAVITS. I did.

Mr. GETTYS. Now, if it is political, if that is the primary purpose of it and it is not a trade matter, then is it not a matter of foreign policy rather than of trade?

Senator JAVITS. I think it is a matter of trading or trade restrictions being misused in serving an improper foreign policy objective. Now, all trade is foreign policy. We all understand for example, that the Kennedy round, which is now being renegotiated, is a matter within the compass here in the House, of the Ways and Means Committee and, in the Senate of the Finance Committee. Nonetheless it is being handled by the State Department. I do not think that when you come to international economic policy, there are any easy guidelines.

Much of it is Commerce, which has a Bureau of Foreign and Domestic Commerce. Much of it is Treasury where it involves money matters. Much of it would fall, in the area of foreign policy, to State. It is a mixed thing.

And of course the answer here is that this bill has been referred to Banking and Currency and not to Foreign Affairs, so that I think although one would say, yes, it does have foreign affairs implications, it is still essentially a matter of trade and trade regulations.

Mr. GETTYS. What bothers me, Senator, is that it seems we are attempting here to legislate foreign policy instead of administering foreign policy. I believe that the Executive has that prerogative.

Senator JAVITS. Mr. Gettys, in the first place we do legislate foreign policy very often. We legislate it every time we pass a foreign aid bill. We legislate it every time we pass a defense bill. And there are other bills—the coffee agreement, for example.

Mr. GETTYS. They are at the request of the administration.

Senator JAVITS. That is true.

Mr. GETTYS. And foreign policy is established by the administration.

Senator JAVITS. May I point out, though, that many times foreign policy is originated here. For example, the ultimate crackdown on trade with Cuba and Communist China originated here in the Congress. The refusal to give certain most-favored-nation treatment—

Mr. GETTYS. Why could we not express the sense of Congress?

Senator JAVITS. No, no; we actually legislated. For example, in the reciprocal trade agreements bill we legislated on what we would or would not do for the Communist satellite countries in central Europe. I am sure you will recall that.

Mr. GETTYS. Yes.

Senator JAVITS. So that it is not a uniform rule that we always act at the request of the administration. In 1950, for example—and I was here in the House together with so many of these other gentlemen—it was we who wrote into the foreign aid bill a provision for aid to Israel. The administration did not request it. We wrote it in, and we carried it through. Now, that does not mean that we should always do that. As a general thing I could not agree with you more, and that is why I opened by saying that we have waited so very, very long to stiffen up the back of the State Department, and we now have to do it. But it is done. It is not even unusual. It is not done all the time, and it is not a regular thing.

Mr. GETTYS. You would not advocate this as a routine matter.

Senator JAVITS. I certainly would not; no. I think we should look at it very carefully and very thoughtfully, but I think that after so long a time of gestation, it is deserved.

Mr. GETTYS. Thank you, sir.

Senator JAVITS. Thank you.

Mr. GETTYS. Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. Cabell.

Mr. CABELL. Out of deference to the Senator, at this time I will withhold my questions for a subsequent witness.

Senator JAVITS. Very kind of you, Mr. Cabell. Senator Williams is appearing and Mr. Celler, who are very competent people.

Mr. McGRATH. I will also withhold, Mr. Chairman.

Senator JAVITS. Thank you very much.

Mr. ASHLEY. Thank you so much, Senator, for your time. We appreciate your testimony.

Senator JAVITS. Thank you.

Mr. ASHLEY. The committee will now call Congressman Celler. You have a time problem, too, do you not?

Mr. CELLER. I will be glad to yield to Senator Williams. He promises to be very brief. He says that he is pressed for time like an Egyptian mummy.

Mr. ASHLEY. Senator Williams, if you will, come forward.

Senator Williams, let me just say that we welcome you before the subcommittee. It is nice to have an alumnus of the House return, and particularly so in your case.

**STATEMENT OF HON. HARRISON A. WILLIAMS, JR., A SENATOR  
FROM THE STATE OF NEW JERSEY**

Senator WILLIAMS. Well, I guess I was not too well received here. I left involuntarily if you will recall, Mr. Chairman.

I find that Senator Javits most ably has covered most of the points that I have in my prepared statement, and certainly this colloquy has developed most of the major points. Therefore, I suggest that if I might file my statement, I would just like to make two or three observations.

Mr. ASHLEY. Without objection, Senator, your statement will be filed at this point in the record.

(Senator Williams' statement in full follows:)

**STATEMENT OF HON. HARRISON A. WILLIAMS, JR., A SENATOR FROM  
THE STATE OF NEW JERSEY**

Mr. Chairman, members of the committee, I am grateful for this opportunity to appear before you in support of the antiboycott amendment, which is sponsored by 30 Members of Congress, and by Senator Javits, 29 Senators, and myself, in the Senate.

It is indeed a historic occasion that legislation such as this has reached the hearings stage in both Chambers. Next week the Subcommittee on International Finance of the Senate Banking and Currency Committee will consider the amendment. This is the first affirmation by the Congress of the United States that American foreign commerce shall be immune from the consequences of political hostilities and disputes that arise among other nations, and disputes to which the United States is not a party.

You will hear today and tomorrow of the needless harassment and interference suffered by American foreign commerce as the result of one such dispute.

And if we do not act positively to terminate this interference, American foreign commerce will pose a ripe and tempting target for involvement in other third country hostilities in the future. It is high time that the Congress of the United States erect a protective wall behind which American traders can be sheltered from the consequences of disputes which are not of our making. This will set the pattern, and once and for all serve notice that American foreign com-

merce is not fair game for those who would distort it for their own political objectives.

In this spirit, Mr. Chairman, it was depressing to learn of the testimony offered here last week by the State and Commerce Departments. They expressed their opposition to the antiboycott amendment:

Not because a boycott existed;  
 Not because American commerce had suffered from the boycott;  
 Not because American trade opportunities were being stifled;  
 and  
 Not because foreign interference with American commerce was inconsistent with and repugnant to American principles of international trade.

They told you that enactment of the antiboycott amendment would interfere with our economic denial programs against Cuba, and would be harmful to our interests in the Western Hemisphere.

Mr. Chairman, I resent the inference that the sponsors of this amendment, 30 Representatives and 31 Senators of the United States, would deliberately take action to damage the U.S. position in the Western Hemisphere. If there had been any convincing indication that this amendment would be damaging to U.S. interests in the Western Hemisphere, or in any other hemisphere, believe me we would have immediately withdrawn it. In our preliminary discussions with State Department representatives about the antiboycott proposals, there were no such suggestions of possible damage to American interests in the hemisphere.

Now, in a desperate, and I think unwise, effort to defeat this measure, the Department of State, has conjured up an entirely new argument. This argument is neither relevant nor logical.

Did they offer one shred of concrete evidence to support their contention of harm to U.S. economic denial programs?

Mr. Chairman, we have reviewed the testimony presented here last week and find none. All we find are suppositions, generalizations, and cries of alarm, none of which are supported by fact.

I need not belabor what others are saying here this morning. There is a world of difference between American economic denial programs and the restrictive practices of the Arab boycott. The U.S. program applies to products and processes that are ours to dispose of, that are manufactured or originated in the United States.

The Arab boycott program applies to goods and services belonging to other nations—ours, for example.

And how can the State Department compare Cuba to Israel? Cuba is a hostile nation. Israel is a friendly country. Moreover, after Canada, Israel is the largest per capita consumer of American products in the world.

But the purpose of our amendment is not to reward Israel, nor is it to punish the Arabs. Our primary interest is the American businessman, who wants to trade overseas only on the basis of commercial considerations. Is this too much to ask?

The State Department claimed that American business is not interested in the antiboycott amendment. Nonsense. Aside from the oil companies, who are not even affected by the boycott, have they even

bothered to consult American businessmen? Their testimony last week did not indicate any such consultation.

Yet I know that early this month a delegation of businessmen, including two from my State of New Jersey, called on the Secretary of Commerce to express their support for this legislation. Two members of this group called on the State Department the next day.

Mr. Chairman, the Arab boycott has operated unabated in the United States for more than 15 years. You heard the State Department testify last week that they have been unsuccessful in achieving any change in the boycott. And you heard both the State and Commerce Departments advise American businessmen to live with it.

We say that American businessmen should not be forced to live with it. And we say that it no longer should be a factor in American commercial life.

Administrative and diplomatic remedies have failed to solve the problem. Now it is time for the Congress of the United States to act. And the antiboycott amendment provides the most effective channel for action.

We urge you to give it your favorable consideration.

Senator WILLIAMS. Thank you very much, sir. It is manifest that everybody abhors this Arab boycott, government and business, Congress and the executive departments, and yet there has been objection to it registered by Commerce and State. This bill is necessary in response to this uniform abhorrence of the Arab States involving American business in their economic warfare with Israel. We would like to see the right thing done administratively through the executive branches, but it has not been done.

As Congressman St Germain said, businessmen who have asked for help have been given the "do it yourself" kit. So this is the only response that is being made to a clear wrong in foreign affairs that affects American business in an area where nations are feuding. But this Nation is not part of the feud. We, Senator Javits and I, speaking for 31 Senators, and I know there are 30 sponsors of this amendment here in the House, spoke at some length with representatives of the executive branch, and the only objections they expressed at that time to this amendment dealt with their fear that this would limit their flexibility in negotiation.

They expressed some fear that this would bring down reprisals from the Arab countries. Not once did they suggest that there was anything comparable here to our policy dealing with Cuba, North Vietnam, North Korea—not once. But yet that was the thrust of their argument when they came before this committee.

Believe me, if we had any idea that this would be damaging to our policies with respect to other nations, it never would have been introduced. But it has nothing to do with it. The analogy is so imperfect it is almost fantastic in my judgment that it was raised. It was never raised when we had our informal discussions prior to introduction or after introduction prior to the hearings.

Hearings in the Senate start next week. I certainly applaud this committee for its early attention to the bill that so many Members of Congress have such a deep interest in, and I might say that the large attendance of this subcommittee is refreshing indeed.

Thank you very much, Mr. Chairman.

Mr. ASHLEY. Thank you, Senator. Mr. Halpern?

Mr. HALPERN. Mr. Chairman, first I would like to commend the distinguished Senator from New Jersey and in particular I wish to compliment him for his superb leadership in this field.

Now, the question has come up relative to whether this belongs in the category of foreign policy or as a commercial matter. Do you not agree that the aggrieved parties are not the Arabs or the Israelis, that they are the American businessmen for whom nothing, or at least very little, has been done for these 15 years.

Senator WILLIAMS. Absolutely.

Mr. HALPERN. And I am sure you agree that this may be political as far as the Arab States are concerned, and we cannot tell these countries what to do or what not to do, but we can legislate U.S. export control policy, and is that not just what we are doing here?

Senator WILLIAMS. I could not say it more precisely. That is exactly what we are doing.

Mr. HALPERN. And you believe that this policy belongs in this bill, the extension of the Export Control Act.

Senator WILLIAMS. It certainly appears that way to me, and that is the advice of people more knowledgeable of the best legislative practices than I am.

Mr. HALPERN. Administration witnesses, Senator, have testified that this amendment would provoke a very harmful reaction from the Arab States even though the boycott is in many cases ignored by some of these States who as a matter of fact have refused to give the boycott real authority. Now, I assume from your testimony that you disagree with the State Department to his effect.

Senator WILLIAMS. Trade is a matter of advantage, it seems to me. When a nation's economy needs something, it wants to participate in trade. There might be some temporary depression in trade, but I think that in the long run, for the advantage of the Arab States, their own economic advantage, this would not disturb them.

Mr. HALPERN. And, Senator, we have heard from the Commerce Department, at least from spokesmen who appeared before this committee last week, that the Department deplores—in fact Secretary Connor himself used the word “deplored”—the Arab boycott as contrary to American commercial interests.

Now the Commerce Department is rightfully interested in the matter of selling U.S. goods abroad, and yet they stand opposed to this amendment.

Now, is this amendment not solely aimed at countering the suppressive atmosphere which the boycott creates?

Senator WILLIAMS. Exactly.

Mr. HALPERN. And does not this legislation raise a fundamental principle that we should resist any attempt by foreign countries to interfere with our commerce with friendly nations?

Senator WILLIAMS. Exactly. That is all we are trying to do.

Mr. HALPERN. And one further, and brief, question: Have you heard of any single expression of opposition to this legislation from any American businessman or business firm?

Senator WILLIAMS. I have heard none, and as it developed with Senator Javits, he has not either, and yet we have been working with

this problem for a long time. We know that in a matter that has gotten this much attention, where there is opposition, opposition certainly knows where we are.

Mr. HALPERN. And you, as the original sponsor of the bill, would certainly hear about it if there was.

Senator WILLIAMS. Yes.

Mr. HALPERN. That is all, Mr. Chairman.

Mr. ASHLEY. I have just one question, Senator. You are concerned, of course, with the possible ramifications of this legislation just as are the Departments of State and Commerce and indeed the administration.

Senator WILLIAMS. Of course.

Mr. ASHLEY. Now, your colleague and associate, Senator Javits, spoke with a certainty, almost, when he said that the results of this legislation would not be in terms of an increased ire on the part of the Arab States engaged in the boycott, but on the contrary would be expected to, in effect, allow the same opportunities to American businessmen as at the present time. Can you share his certainty, Senator?

Senator WILLIAMS. Well, I addressed myself to that and did not describe my feeling as precisely as I feel it.

Where a nation has an economic advantage, as it sees it in trade, it trades. We certainly are on guard against the Soviet Union. Yet we found it to our economic advantage to trade in wheat, as I recall.

I would think that in the Arab States they need American products, and American companies have contributed mightily to their economies. They are not going to stop trying. It would be more than cutting off their nose to spite their face. It would be almost hara-kiri to deny American products from American companies, in my judgment.

Mr. ASHLEY. The Department of Commerce, which is charged with the responsibility of administering a very important act dealing with the Export Control Act, has stated categorically, Senator, that enactment of this legislation would hamper administration of that act, and they have stated their reasons for this position. Do you argue with them?

Senator WILLIAMS. I think we who have been here a year or two or more have seen some executive departments that have been wrong.

Mr. ASHLEY. What you are saying is that both the Departments of State and Commerce are wrong in the testimony that was given by the Secretary of Commerce and by the Acting Secretary of State.

Senator WILLIAMS. Particularly when they abhor, with the vehemence they do, the boycott we are talking about. It is a matter of fundamental principle. True, there might be temporary problems, but I think that if we express ourselves clearly to this principle, any problems that it might create will be temporary and trade will continue, and it will continue without this kind of harassment of American businessmen.

Mr. ASHLEY. Mr. Stephens.

Mr. STEPHENS. Thank you, Senator, for coming over.

Senator WILLIAMS. I have a note here from Mr. Price of my staff, speaking to a nation's advantage in trade, the last Arab summit conference was held in the Cairo Hilton, and it is interesting that there is a Hilton hotel in Tel Aviv, too.

Mr. ASHLEY. You do not feel that there is any possibility of that situation changing if this legislation is enacted.

Senator WILLIAMS. I do not. I really do not.

Mr. ASHLEY. Mr. Stephens for the second time. We are going to give you another 5 minutes.

Mr. STEPHENS. Thank you. I will not take that much. Thank you just the same.

What I am concerned about has been expressed, but I would like to have an expression from you on this thought. One of the first principles I learned in political life is that when it is not necessary to make somebody mad, you do not go out of your way to do it, and that is what I am afraid that we have facing us here. It is my feeling that there is a considerable difference between the stand we have taken on Communist countries and in the stand we are called upon to take between friendly countries in this bill. This is taking sides between two friendly countries, friendly to us, when it seems to me it is not necessary and not good policy, either diplomatically or from the political concept, when you look at it from that analogous angle.

Could you give me your feelings in respect to the wisdom of making the United States take a choice between two friendly countries?

Senator WILLIAMS. I do not look at it as taking a choice between two friendly countries. We are not saying that we are choosing between trade with Israel and trade with the United Arab Republic. We are just saying we want our people to have a chance to trade with both friendly areas. That is what we are doing. This is not an expression of lack of desire to trade with the Arab countries. This is just saying that we want our people free to trade with all friendly countries.

I do not see quite the analogy, and yet if there is the principle of let us not ask for trouble, when the principle is as clear as this, if any trouble should develop—and I think it would be minor—I think it is the price you have to pay to honor the principle.

Mr. STEPHENS. Thank you.

Mr. ASHLEY. Mr. St Germain.

Mr. ST GERMAIN. Senator, last when Mr. Giles testified, he quoted you. This is out of context of the statement. The rest of the record is available. He said:

It is a fact that American firms are defying the boycott which is testified to by the strong belief in the business community as to freedom of trade, that determines to stand up to irritating and continuous barrage. These firms have learned to live with the boycott. They have found ways to circumvent it. They have learned not to advertise the fact.

and so forth. Then he goes on to say Israel has learned to live with the boycott, too. She has developed a thriving merchant marine as much because of as in spite of the boycott.

Would you care to comment on that quote that he used?

Senator WILLIAMS. Yes. The point I was making was that there are those that have been able to find wily ways to get around the Arab boycott, and be successful in defeating it on their own, without any government assistance. These are enterprising businesses that did it.

But what we are saying is they shouldn't have to do it that way. They should be protected.

Mr. ST GERMAIN. And Senator, isn't it a fact that the reason that some of these firms have been able to circumvent this boycott is that there are some individual nations within the Arab boycott that would just as soon trade with firms that are doing business with Israel?

Senator WILLIAMS. I am sure that is true, absolutely. They all don't go the road with Nasser on all of his decisions.

Mr. ST GERMAIN. Senator, the argument is made by State that we would probably be doing something detrimental to our relations with the Arab Nations were we to enact this amendment or to adopt the amendment. I want to try to be logical about this. Aren't the Arab Nations in effect doing a great deal that is detrimental to our American businessman by imposition of this boycott? It reminds me of the bully in grammar school who keeps picking on the children, and we are saying that this bully, the State Department and Commerce agree that this is a horrible situation, and yet they say though this bully is picking on us, we should just sit down and let him keep picking on our businessmen.

Senator WILLIAMS. I think you have reduced it to the best analogy that can be made in the circumstances, absolutely.

Mr. ST GERMAIN. Nothing further.

Senator WILLIAMS. We are the ones that should be angry, not worried about making them angry.

Mr. ASHLEY. Mr. Mize.

Mr. MIZE. Senator, you say you feel that the Arabs would have to live with this amendment if passed, and would have to deal with the United States, is that correct.

Senator WILLIAMS. Yes.

Mr. MIZE. You ought to be able to take credit for breaking the Arab boycott as far as the United States is concerned if this law passes; would that be true?

Senator WILLIAMS. Did you say you all?

Mr. MIZE. I meant all the sponsors of the bill.

Senator WILLIAMS. Yes; and all those who vote for it.

Mr. MIZE. That is all.

Senator WILLIAMS. And then the President when he signs it.

Mr. ASHLEY. You mean to say that this would break the Arab boycott?

Senator WILLIAMS. That is the objective. Well, that is the ultimate objective.

Mr. ASHLEY. The thrust of this goes to American businessmen, not to the Arab countries engaged in the boycott; isn't that true?

Senator WILLIAMS. The boycott of American businesses.

Mr. ASHLEY. Can you tell me how this would break the boycott? The boycott is being imposed by the Arab League, isn't it? In order to break the boycott it would take an act on their part.

Senator WILLIAMS. Well, of course.

Mr. ASHLEY. Does this legislation go to serve that purpose?

Senator WILLIAMS. The ultimate effect could well be that if we don't cooperate with the boycott, the boycott as far as American businessmen are concerned could either.

Mr. ASHLEY. Just exactly as it has without this legislation?

Senator WILLIAMS. Well, it is still there as a threat to business and an effective means of reducing American business.

Mr. ASHLEY. Mr. Gettys.

Mr. GETTYS. Senator Williams, you state that the main purpose of this amendment is to help the American businessman. That is correct, isn't it?

Senator WILLIAMS. Right.

Mr. GETTYS. Now the administration takes a different viewpoint, is that correct?

Senator WILLIAMS. For reasons that I don't understand, having said the boycott is wrong and it is bad for American business, then for other reasons and reasons that really are not compelling, they oppose this approach.

Mr. GETTYS. And is it your conclusion that the administration's position is inimical to the interests of the American businessman?

Senator WILLIAMS. That is its effect.

Mr. GETTYS. I still can't get away from the establishment of foreign policy here. That is what bothers me so much, Senator. I am not satisfied that we aren't asked to pass upon a foreign policy matter which the Constitution gives to the executive branch. We are being asked here to usurp, because maybe some don't agree with the administration's foreign policy, the constitutional rights of the executive branch to establish it. Am I correct or not?

Senator WILLIAMS. Well—I heard the great man for whom this building is named—say once, "The executive proposes and the Congress disposes." But good gracious, we all know that we have to have a responsibility in creating legislation that might not be proposed for one reason or another. I am sure we have in this room some architects of great national policy. Right to my left is Congressman Celler and he is one of them.

Mr. GETTYS. I share your admiration of the great chairman. We have not heard of any specific instances of the detrimental effect on any specific businessman. Will we hear some witnesses on that subject?

Senator WILLIAMS. I can't speak for this committee.

Mr. GETTYS. Do you yourself have any particular instances of this.

Senator WILLIAMS. I believe your record shows, I think Congressman St Germain knows of a company that specifically has been hurt by this. I believe we will try to develop that later as we go into our hearings.

Mr. GETTYS. Thank you, Senator.

Mr. ASHLEY. I might just say for the record that tomorrow we have officials from a number of American companies who wish to appear in favor of the amendment. They have been injured by the procedures required by the Arab League.

Mr. GETTYS. Thank you, Mr. Chairman.

Senator WILLIAMS. With the completeness of the record being made here, I think over in the Senate probably our time can be reduced, because this is in my judgment a most complete record.

Mr. ASHLEY. Thank you. Mr. Cabell?

Mr. CABELL. Thank you, Mr. Chairman. Thank you, Senator. I would like to say as a preface here that based on the number of telephone calls that I have had from some very valued and dear constituents, based on information furnished to them concerning what is behind this bill and what it will do, that I realize that anyone who seeks

to approach it objectively is going to find himself suspect. But nevertheless we are dealing with cancer here, but my position is are we excising that cancer or merely applying a poltice that will be an irritant? We are not doing anything that I can see to eliminate the boycott. That is a reprehensible cancer that we are seeking to destroy. Now merely refusing to fill out these questionnaires, could not the Arab States say that that is per se an indication that we don't care to trade with them, and say that that is it?

Now realizing that some of those bigger companies that have leverage will continue, isn't this going to hurt your smaller man who might otherwise be able to maintain trade with both countries?

Senator WILLIAMS. Well, it is certainly within the power of the Arab States to build high walls and keep everybody out. It is just my feeling that they would injure themselves in this way. They trade with us not because they like us as people or are friendly with individuals who run American business. They need those products, and they are going to continue to need them, and we are still the industrial might of the world and they still need us.

Maybe the operation on the cancer will not wholly eliminate it, but when you are dealing with cancer, you try.

Mr. CABELL. Well, the voluntary refusal on the part of the American business firms to fill out those questionnaires would accomplish the same result, won't it? There is no compulsion now that says they must do it.

Senator WILLIAMS. If they want to trade, they now comply.

Mr. CABELL. The American businessman has been used to questionnaires for many years.

Senator WILLIAMS. Certainly they can say they won't trade with the Arab countries. Any businessman doesn't have to trade with anybody that he doesn't want to. The whole point is we want to give American businessmen the equal opportunity really of trading with Israel and then trading with the Arab States.

Mr. CABELL. The whole problem is how this is going to eliminate the boycott. That is the big question.

Senator WILLIAMS. I only meant that it will eliminate the boycott in terms of American businesses having to cooperate with the methods of the boycott if they are entering trade relations with the Arab States. That is what this bill does.

Mr. CABELL. Thank you, sir.

Mr. ASHLEY. Mr. McGrath.

Mr. McGRATH. Thank you, Mr. Chairman. I want to welcome our Senator from New Jersey. Although he stated that he retired involuntarily from this House, I think it is noteworthy that last November he became the first Democratic U.S. Senator ever reelected from the State of New Jersey. I think his testimony here today bears out the people's good wisdom last fall.

Senator WILLIAMS. I had some very good running mates.

Mr. McGRATH. Senator, most of the testimony on this proposed amendment has been concerned with the Arab boycott. It would have a prospective effect, would it not, to prevent the present trouble that the State Department and the Commerce Department and our foreign policy and our businesses have in dealing with the Arab boycott in

the event that some other group of nations later on imposes some kind of boycott similar to the Arab boycott?

Senator WILLIAMS. I believe it would. It would be an American expression that we won't be bullied in economic warfare between other countries. It would be exactly following Congressman St Germain's point.

Mr. McGRATH. Thank you very much.

Mr. ASHLEY. Thank you very much, Senator, for coming way over to this side of the Capitol and finding your way into the Rayburn Building. We are always delighted to see you before this chamber. We appreciate very much your testimony.

Senator WILLIAMS. I certainly appreciate very much what you are doing and certainly want to thank Congressman Celler and the others who let me go on first.

Mr. ASHLEY. It is a very particular privilege to call as our next witness the dean not only of the New York delegation but indeed of the U.S. House of Representatives. Not only is he one of the alltime great Members of this body, he is a humanitarian and a public servant of the highest order. We are delighted to have you here, Mr. Celler, and will of course be delighted to have you proceed in any way that you wish.

#### **STATEMENT OF HON. EMANUEL CELLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. CELLER. Thank you very much, Mr. Chairman and I appreciate your remarks but they put a heavy burden on me. I question whether I could justify all those encomiums. To strike a little lighter note, I'll tell you why I am dubious. The other night when I was speaking at a banquet a woman came over to me and she said "Congressman, you made the lousiest speech I ever heard in my life" and I was taken aback because I thought she was coming over to praise me. There was a fellow standing next to her and hoping to mollify me, he said "don't pay any attention to her, Congressman, she is a moron. She repeats everything she hears."

However, I want to thank you for this opportunity to express a few views on this subject. But first I would like, before I read a 3-page formal statement, to call your attention to a very compelling editorial that appeared recently in the New York Herald-Tribune. I would like to read it.

The Arab countries declaring themselves to be in a state of war have the right to conduct economic warfare against Israel and the latter if it chooses may reply in kind. The United States which seeks to maintain friendly relations with both has the right to remain neutral. The Washington administration professes to be doing so but it isn't. It is permitting the Arab States to conduct their economic warfare on American soil by allowing their diplomatic, consular and business agents in this country to engage in their economic and blacklist activities. There is nothing of course to stop them from such activities on their own soil or on that of their Communist friends or of others who may be motivated purely by profit. But there is no reason why Washington should make their task easier, and by doing so become their unwitting accomplice. Its failure to uphold the strict rules of neutrality has exposed American chambers of commerce and other trade associations to pressure by Arab States to handle that—their blacklisting papers and questionnaires for them to the extent that they are doing. To the extent that they are doing so this raises a startling question,

whether such chambers and associations should be required to register as agents for foreign countries, and not just any countries, but ones which are in a state of war. And the question is even more startling if applied to the U.S. Department of Commerce.

The Herald-Tribune series on this issue has pointed out that the Department allowed its journal to advertise the discriminatory trade offer of an Arab State. The proposal by a group of Congressmen to legislate against the conduct of Arab economic warfare on American soil makes sense. It would not end the warfare. That would take years and will come only after the Arabs themselves recognize that their best interests will be served by coming to terms with Israel. But it may help reduce and correct our present unneutral position.

I would like to call to the subcommittee's attention also the fact that in 1960 both the Republican and Democratic Party platforms pledged action against the Arab boycott, and that very year, you may remember, gentlemen, Congress adopted an amendment to our foreign aid bill which provided that aid should be withheld from any country which persisted in boycotts and blockades.

The amendment was supported by both President Johnson and the late President Kennedy, who were then Members of the Senate. It is well to keep that in mind.

Mr. ASHLEY. Would the gentleman yield at that point?

Mr. CELLER. Yes, sir.

Mr. ASHLEY. Why is it, do you suppose, that the position of the President is not consistent with the position taken at that time?

Mr. CELLER. I don't know what the position of the President is. I don't know whether the President has made manifest his views on this matter. The President is a very busy man as you know. He is quite an active individual. He is engaged on many fronts. I don't know whether this matter has been presented to him directly. Of course, the State Department and more particularly its guiding head in this direction, Mr. Ball, has made clear that the State Department has no sympathy with these bills.

The question before us, gentlemen, essentially is this. Must American businessmen submit to loss of trade, to being used as a weapon of war and impeded from international commerce, and to being dictated to by a foreign government as to where and how to invest? I speak, of course, of this Arab economic boycott against the State of Israel. Such boycott has forced the American businessman to choose between the Arab Government and Israel. This is an unwarranted interference with private, and I emphasize "private," American interests.

As third parties, the American businessman or firm is forced into a political squeeze. In the instance of the Arab boycott, we do not have the situation of one antagonistic country confronting another in recognized economic warfare. Here we have the situation of American business interests being adversely affected, not because they are nationals of either country, but only because as third-party private citizens they seek legitimate commercial objectives in international trade and investment.

We have ample documentation to show that not only are those firms involved who directly seek trade and investment outlets in the Middle East, but that firms who deal with such firms are also adversely affected and boycotted. Thus the boycott stretches not only to one private firm, but to second, third, fourth, and even fifth firms who are commercially bound up with the first.

I know you are aware of the humiliating questionnaires to which American firms trading with Arab countries are subjected, and the degrading affidavits which they are compelled to sign. There are those who say this is a very simple problem. They say that there is no need for legislation, that the American firm need not submit. But this is far more easily said than done. American trade, American jobs, American productivity are all involved. What the American business firms need is the unequivocal backing of U.S. law.

We must give the American interests the vehicle whereby they can state they cannot defy the provisions of the Federal statute. If we pass such a bill as one of those before you, the American firm when asked to subscribe to these questionnaires, obnoxious as they are, can say "We can't do that. It is against the law for us to do it."

We must remember too that the Arab nations have shown no constancy in applying this boycott. Wherever they wish they look aside. The best example of that is Merck & Co., presided over by the distinguished Secretary of Commerce. His company was off and on, off and on the boycott list, whenever the Arabs wished to look aside. With this act on our books, I have no doubt that the whole Arab boycott would collapse, or at least there would be comforting brakes to it, and finally it would diminish.

Blackmail no longer being possible, and it is blackmail, the Arab nations would accept American trade opportunities and investment, lest their economic plight already manifest becomes truly desperate. Passage of my bill or any of the other bills before you would give American business the assurance it needs that it has governmental backing in rejecting the sordid and sorry Arab boycott.

Thus we also encourage the expansion of international trade into the entire Middle East, and help to lessen the tensions therein, and make available contribution to world peace. We declare thereby that Israel is here to stay and that the United States recognizes its international rights to trade freely.

Some have wished to back away from supporting this bill, saying that we would establish a precedent, and thus tie the U.S. hands in dealing with countries antagonistic to ours.

This is not so. I emphasize this is not so. We must remember and recognize the major differences. Such restrictions as we have, for example, against China and Cuba are limited to U.S. citizens, U.S. companies, and products of the U.S. origin. Here under the proposed legislation, it is not a matter of government versus government. We do not impose restrictions on private citizens of foreign countries. Read the bill or read portions of the bill. I read from the very first part.

The Congress declares that it is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States.

It is true that we do penalize foreign firms that misrepresent and violate restrictions on our own exports. We also penalize ships that trade with Cuba, by denying them U.S. Government financed cargo, but that is as far as we go.

Let me make this very abundantly clear, gentlemen. We are not asking Congress to legislate for Israel. That is not the proposition. We are not asking legislation for Israel. We are asking Congress to

legislate for the protection of American business and American commerce.

We are not asking for any legislation for the benefit of Israel as such. However, we cannot close our eyes to the fact that this boycott does hurt Israel—Israel, the only country in the Middle East and the Near East where the flame of liberty burns brightly. And we, the greatest liberty-loving people of the world, must nurture that flame of liberty wherever it burns.

I don't know whether you have been there. If you have been there, you will note that you see amongst those people an indomitable courage, a courage that you do not see anywhere in any country of the Middle or Near East.

It is the courage that flows from the heart. And there you see a determination to get on with their work, a determination as firm as the rock you hold in your hands, indeed as firm as those rocks that were blown out of the Judean hills which built the so-called Burma Road over which sped the trucks and the lorries manned by stout-hearted lads and lasses of the Hagana, which brought the food and water to the beleaguered 30,000 Jews in the new city of Jerusalem, without which water and food they would have starved. There you will see an exaltation among those people as fierce as a streak of lightning, and there you will see a faith, a wondrous faith. They don't wear their faith as one would the fashion of a hat. In the language of Browning, there is a faith that can move mountains, faith in themselves, faith in their flag, faith in their country, and faith in democracy. Those are their resources primarily, because it is a country sparse in resources.

And with those talents that grow out of those wondrous qualities, they are trying to build a viable nation. And with Israel having only a little over 2 million, surrounded by 40 million Arabs bent upon plunging them into the sea, why shouldn't we take all those facts into consideration.

But I repeat we are not asking for legislation for Israel. That is part of the great panorama out of which this legislation may spring. I ask that we protect American firms in dealing with Israel, and I hope you gentlemen will adopt one of these bills so that the back of this Arab boycott will be broken. I say this despite the fact that I am a staunch supporter of the administration. I have very rarely strayed from the path of the support of the administration.

I can't help, however, in this regard, from taking issue with Secretary Ball and taking issue with Douglas MacArthur and others of the State Department who have taken a different position. They say it will deteriorate our relations with the Arab countries. I have heard that so often. I have fallen for that argument. Years and years I have fallen for that argument. I went along with it. But nevertheless our relations with those Arab countries have deteriorated. Syria has expropriated many of our oil companies. See what is happening in Egypt with reference to American companies. So that that kind of argument as far as I am concerned today falls on deaf ears. Our relations have not been bettered because of that attitude of the State Department. The State Department has a policy that is formulated primarily by those in the under echelons; who are those in the under echelons?

They are those who must speak Arabic. Who are those that speak Arabic? They are those who spend 4 or 6 years in the American college at Beirut or in the college at Constantinople—I have forgotten the name there. When they have lived 4 or 6 years in lands of that sort, they become more Arab than the Arabs themselves. They become steeped in the Arab traditions. They come to the State Department. They formulate the policies. They draw the reports that go up to Mr. Ball, and it is very difficult to offset those reports. I have had that trouble all these years that I have had relations with the State Department.

And it is for those reasons that we have this adamant opposition to a very simple situation like this, which seeks to protect the American businessman. I probably have gotten a little emotional on this matter. You will forgive me. But I do hope, gentlemen, that you will view with favor this legislation and vote for it, or recommend it to the full committee.

Thank you.

Mr. ASHLEY. Thank you very much, Mr. Celler.

I might say that it is unfortunate for those of you who support the amendment that the vote is not to be taken at this very moment. You are an enormously capable and persuasive witness.

Mr. CELLER. Will you excuse me now. I have to go to a meeting, although I will be glad to submit to question if you wish.

Mr. ASHLEY. I think in view of the fact that there are other witnesses who will be presenting essentially the same basic testimony as you, Congressman Celler—I am quite sure none so ably—nonetheless we will be able to direct our questions to them, and, therefore, if it is your convenience, you may be excused.

Mr. CELLER. Thank you very much.

Mr. HALPERN. Mr. Chairman, I do have some questions; but in view of the time factor, I'm sure I could pose them to the other witnesses. However, I would be remiss in my admiration for our distinguished witness if I didn't express my commendation to him—our brilliant dean of the House, the brilliant chairman of the Judiciary Committee, for taking time out of his busy schedule today to come before us.

I know, Mr. Chairman, of our witness' genuine interest and deep concern with this subject. He has been relentless through the years in resisting all infringements on justice and dignity whether it appears here or abroad, whether it affects the American individual or whether it affects American business. Again I want to commend him for his brilliant presentation here this morning.

Mr. CELLER. Thank you very much, sir.

Mr. ASHLEY. Our next witness will be Mr. Abraham J. Multer of New York.

Mr. Multer, this gives me an opportunity to welcome you, a member of this committee, to appear and give testimony before this subcommittee. We are delighted to have you, and please proceed in any way that you wish.

**STATEMENT OF HON. ABRAHAM J. MULTER, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. MULTER. Thank you, Mr. Chairman, for the opportunity to be with you this morning and to present my views on this important legislation. In order to conserve the time of the committee, I am not going to repeat many of the things that you heard from other witnesses, both before the full committee and today.

I am sure I can say without reservation that I endorse all that has been said and will be said by those who support the proposed amendments to the Export Control Act of 1949 as evidenced by the various bills that are before you, one of which is my own, H.R. 627, others are H.R. 4361, and a long series of similar bills that are identical to H.R. 4361, introduced by other Members in this House and by many Members of the Senate.

May I say that there is a slight difference between my bill and the Senate bills, and H.R. 4361 introduced by our distinguished colleague, Mr. Halpern, and the others that you have heard about, and I think all of which have been referred to on the record.

Very briefly, the difference between mine and the other bills is that on page 2 of the Senate bills and H.R. 4361 and those similar bills, lines 11 to 17 do not appear in my bill, H.R. 627.

A question has been raised about whether or not we are dealing with foreign policy here. I do not know whether the question is raised because there is some doubt as to whether this committee has jurisdiction over the subject matter or the Foreign Affairs Committee has jurisdiction. If it is one of jurisdiction, may I say that this committee, Banking and Currency, has always had and still has jurisdiction over the Export Control Act of 1949, and all other export and import control legislation, despite the fact that, obviously, it overlaps into the field of foreign affairs. The best legislative draftsmanship has indicated that the only place for an amendment such as this would be to the Export Control Act, unless we were to handle it as an entirely new act.

I do not believe the Foreign Affairs Committee has asserted or attempted to assert any jurisdiction over the matter.

If the question of foreign affairs or foreign relations goes to the question of whether or not the Congress shall act on this matter without a request from the President or his duly appointed officers to whom he delegates such functions, may I say that while the Constitution does vest in the President the right to manage our foreign affairs, the Congress has coordinate jurisdiction when it comes to implementing his policy. We have done so on many occasions, by implementing the policy and adopting a resolution indicating that the Congress agrees with it.

We have just as frequently, maybe not just as frequently, but we have frequently adopted resolutions giving the sense of Congress as contrary to the foreign policy as enunciated by the President.

But when it comes to implementing the foreign policy, whatever it may be, the Congress has the first duty to enact legislation either implementing it by giving him the means to proceed and enforce his policy, or to give him the money with which to do it.

Here we are establishing the means with which to enforce our foreign policy as enunciated by the President and his delegated agents.

Now rarely have I seen representatives of any administration come before the Congress and argue against enactment of a bill and yet make out a case for the bill. And I say that, too, without reservation.

The first provision in these amendatory bills is to declare that it is the policy of the United States—

to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States.

Every administration witness has told you that he agrees with that policy. He may not have used that language, but they have all deplored the boycott. They have all deplored the restrictive practices, and they all agree that something should be done about it—and then go on and tell you but not by this bill or by this amendment.

Despite the very adroit leading by our distinguished chairman, Mr. Ashley, all of those witnesses, up to this time—and I have read the whole record—failed to state a single instance which would substantiate the fears they have expressed, to wit: That if we enact this, it is going to interfere with their management of foreign policy and it is going to cause our relations with the Arab countries to deteriorate.

Mr. Celler has already made a good case, indicating that anything we do here legislativewise is not going to cause any lessening of the deterioration which has already occurred between the United States and the Arab nations.

So far as hampering the administration, as Commerce witnesses have indicated—they, too, have failed to make out a case. They have said that if you enact this it is going to hamper them in administering the law.

They have taken the trouble in explaining to the committee, when advocating the extension of the Export Control Act, how they operate and how they administer the Export Control Act, and if you read that carefully, you can see how they can apply that very administration and detail of administration to the act as amended by these proposed bills, and there will be no hampering. As a matter of fact, it will make their job a lot easier.

I am sure if the State Department and the Commerce Department and our commercial attachés abroad in these Arab countries should say to their counterparts in these countries: "This is the declaration of the U.S. Congress, that the policy of the United States is to oppose your restrictive practices and your boycott, and you ought to be guided accordingly," the whole problem would disappear. If the Arabs then ran to the Communist countries for help, they will get lipservice as they have gotten before, and they will have to turn back to us again and ask for our aid again.

I am not suggesting that we should use our offers of aid, grants or loans or sales of foodstuffs as a hammer to drive them into doing things the same way as we do. But very basic to this declaration of principle is the fact that we have enacted laws in this country which we are enforcing, which would prohibit Americans dealing with Americans in this country from answering the same kind of questionnaires that these foreign countries demand of Americans.

I remember when I was in one of these Arab countries not long ago, I picked up an application blank that was being used for the recruitment of personnel in that country by one of our American banks, and that application was an old-form application, the same form of application that the bank had been using through the years, long before we enacted any of our civil rights legislation in this country, and it contained the questions:

"Where were you born?"

"Where were your parents born?"

"What was their religion?"

"What is your religion?"

I took that application and called on our Ambassador in that country and our commercial attaché, and I said: "Do you know anything about this? Did you ever see this application?"

He said, "No."

I said: "Well, I think you should call this to the attention of the parties concerned."

He said: "We cannot get into that. This is not for us. We are not going to get into that."

I said: "Do you not know that our American law now provides that American companies cannot ask these questions?"

"Well, that may be the American law, but we cannot get into that in these embassies here."

I got home and I took it up with our State Department here and got the same answer.

"We do not want to get into that."

I telephoned the president of that bank. His immediate response was: "I am very happy you called this to our attention. We will see that that blank is not used any more, that that application form is no longer used. We have long since discarded it here, and whether it is a branch abroad or anywhere else, we do not want it used and we will not use it."

And they stopped using it.

Now, all the State Department has to do and all the Commerce Department has to do in any of these cases is to say: "Our policy, even though not yet declared"—as we ask that it be declared—"is that we will not stand for the asking of this kind of questions of American firms. We will not require any American firm to submit biographies of all of their personnel in every echelon, whether it is an employee who is a porter or the officer who is the president."

Instead of that, they have doubletalked the people who inquired from both Departments. They doubletalked this committee in their testimony here. Just as it has been necessary heretofore to adopt declarations of foreign policy, whether it was in an appropriation bill or the foreign aid bill or some other bill, it is essential that we now declare the policy which is the existing policy of this country as part of this act, and direct Commerce and State to be guided accordingly.

Now, the bills that are different from mine have a provision in them that "Nothing contained in this sentence or in this declaration shall be construed as authorizing the imposition of any sanction against any business concern of a country friendly to the United States."

We could not do that if we wanted to. I do not care if we do put the language in. I think it is meaningless. But if this is going to make

anyone feel better, put it in. This language was suggested by the State Department, last year, they said, "If you are going to do this, at least put this additional language in." They would not take a position that they want the bill. They still take a position against it. But they did say, "If you are going to do this, say at least you are not going to impose sanctions against any foreigners." We could not do that if we wanted to, and as I say, it does not matter too much whether we do or we do not put that provision in.

Now let me say this about making anybody mad.

I am in complete agreement that we should not do anything that stirs up any trouble. I think I have evidenced by my activities on this committee that if a compromise is available, let's compromise. You do not get everything you want all at once. Take it step by step.

I am the last one in the world that would indicate that we ought to do anything that would irritate even the Arabs. I think I have shown that by my conduct through the years, even risking condemnation by some of my coreligionists when I took a position which they deemed was overly friendly to the Arabs. I will continue to take that position when it is indicated that some good can come off it.

We all want peace, not only in the Middle East but all over the world. If I thought for 1 minute that the enactment of this declaration was going to delay for 1 minute or 1 second the possible negotiations of peace or bringing about peace, I would urge this committee to reject the amendment.

This amendment cannot possibly have that effect. If anything, this will have the effect of bringing them closer together. The Arabs will then know that they have got to stop asking American citizens and American firms for information which we prohibit Americans to give to one another here. They will stop asking for it.

I have long been an opponent of trading with Communist nations, because I did not think that would bring us together. The majority opinion, however, seems to be that the more trade you promote, the more likely you are to get together and understand one another and live peacefully together.

I am willing to buy that premise, and I support it in urging enactment of this declaration. If you can require our Americans to live in accordance with American policy and support American policy, and do the things in the American way, as long as they are good and moral and right, these other countries will eventually do business with us on that same basis, and that will bring us all closer together—the Israelis, the Arabs, the Americans, and others, too.

I have taken a little more time than I intended to, Mr. Chairman and members of the committee. I will be glad to try to answer any questions that you might have wanted to put to any of the other witnesses or to me on the entire problem.

Mr. ASHLEY. Thank you very much, Mr. Multer, for your illuminating statement. It was up to your usual very high standards.

Mr. MULTER. Thank you, sir.

Mr. ASHLEY. I think you make a very good point, Mr. Multer, when you state that administration witnesses have in effect articulated agreement with the statement of policy contained in your amendment and the amendment of the others who have introduced this legislation. Without seeking to characterize the rest of their testimony, it:

nevertheless seems to me that the sticking point arises with respect to the means of enforcing this area of foreign policy on which there does appear indeed to be a basic agreement.

You said that no testimony has been set forth that has conclusively demonstrated that this amendment would cause our relations with the Arab countries to disintegrate, and I think that this in some measure is also true.

But would you not agree that it is very difficult to know to a certainty what the ramifications of legislation of this character will be?

There is not a measuring stick that has the kind of calibration that we would like. The only measuring stick that we have in fact is that of judgment in these matters, judgment based upon the experience of men who we must all agree are devoted to their country, have spent years dedicated to the intense study of foreign commercial matters.

It has been their testimony that they have deep-seated reservations that go both to the future conduct of our foreign policy and the future ability to administer the Export Control Act as effectively as is presently being done, if this legislation is adopted.

You argue with that, but I am not entirely certain again that it is possible for you or the proponents of your legislation to be any more certain than the Department on figures who have testified.

I was interested in the testimony of Senator Javits, Mr. Celler and yourself in this regard, because it seems to me that you ask for a certainty with respect to the Department's witnesses that you do not ask of yourself. In fact, it occurred to me that Senator Javits was quite ready to point the finger of uncertainty at the Department, but he was very certain as to what the effects of this boycott, or he appeared to me to be very certain as to what the effects of this legislation would be.

I must question whether there is any greater certainty on the part of the proponents of the legislation than that of the Department witnesses.

Mr. MULTER. I can understand your feeling, Mr. Chairman. But let's analyze it, not your feelings, sir, but the bill and the fears, and see if there is any basis to the fears as expressed by the administration witnesses.

First, after the declaration of policy—and surely the least they should have come in and said, was that there can be no objection to this declaration of policy. It is a reiteration of exactly how we feel.

Now what do we do after we declare the policy?

We say by this amendment that the administration or the Department of Commerce, whichever has jurisdiction here, shall do the following:

Enact such rules and regulations—

this begins on line 3, page 2—

such rules and regulations as shall prohibit, in furtherance of the policy—

that is, the rules and regulations shall be in furtherance of this policy as declared—

shall prohibit the taking of any action, including the furnishing of information or the signing of agreements which have the effect of furthering or supporting the restrictive trade practices or boycotts enforced by the foreign country.

Prohibit whom? Prohibit domestic concerns engaged in the export of articles, materials or supplies, including technical data.

Well, now, let's assume the regulation or the rules are adopted and we say in accordance with this policy no domestic concern engaged in the export of articles, materials, and so forth, shall take any action which has the effect of furthering or supporting the restrictive trade practices of the boycott, and somebody comes along, an American concern comes along, covered by this bill, and says, "Mr. Commerce Department, we have this questionnaire. We want to sell to the Arab States and we are selling to Israel."

"They want to know the names and addresses of all of our officers, directors, stockholders, and employees, what their race is, where they were born, where their parents were born, the religion of each of them, and what business we are doing with the State of Israel."

"Now we would like to do this business with the State of Israel. We would like to do this business with the Arab States. What do we do, Mr. Commerce Department?"

The Commerce Department says, "You ignore it. You may not, because of this rule and regulation, answer that inquiry," and they do not.

What do the Arab States do?

They can again write the man if they want to, if they want to violate diplomatic protocol. As a matter of fact, they have not the right to contact them in the first instance, but they do. Let's assume they follow it up. All they can do is persist in saying, "If you will not answer this questionnaire, we are going to assume you are doing business with the State of Israel. If you are, you cannot do business here." How does that affect or cause a deterioration in our relations between the United States and the Arab States?

I say it has no effect. If we are going to draw on experience as we must in order to arrive at a judgment, then we draw on the experience that we have had with these Arab nations. After we have gone out of our way to help them with grants and with loans, and loans which many people say will never be paid back; they are payable in the first instance, they say, in soft currencies that will never be worth anything, but whether they will or they will not, after having done all of that, did they not then turn to the Communist nations and seek help from Soviet Russia, from Communist China?

In order to try to swing them back into our sphere of influence, we continued to deal with them. And because we did that, they took this as a sign of weakness on our part and they spat in our face.

Can they do any more or worse than they have done?

Can they expropriate any more than they have expropriated?

Can they say to any more Americans, "We will not let you in here"?

Can they say it any differently to our Armed Forces, about our chaplains. Mind you, they told us: "You cannot let a chaplain"—some of these Arab States said to us—"You cannot let an Army chaplain go upon one of our bases who wears the cross or a Star of David indicating he is a chaplain of the Christian faith or of the Jewish faith."

When we finally got our back up and said, "We are not going to stand for this nonsense," they drew back, not us. They drew back, and today, not only can a chaplain go upon these bases wearing the insignia of his office, of his chaplaincy, but they no longer raise a question about members of the Jewish faith in the armed services going to these bases, if that is where they are assigned.

All it requires is a matter of firmness on our part. These people need us more than we need them, and if we indicate to them we will do business with them and we will continue to carry on our foreign affairs with them in a pleasant and a peaceful atmosphere, and they are not going to tell us how to run our country and they are not going to tell Americans how to do business, as long as they are doing the right thing, they will behave. Nobody objects to their saying, "Look, we are going to stand for no nefarious practices." But as long as you are carrying on business ethically and in accordance with the law, we will stand for no interference.

We must take that firm position. That is all we are asking by this bill, to take that firm position and stand up for the right. If we do, they will back away. There will be no deterioration or further deterioration in our relations with them on that account. Again, I say we have had experience which shows how they will act and react in certain instances. Let's try this for a while.

Mr. ASHLEY. I think that that is very interesting.

We do know from experience the result of dealing with the boycott on a case-by-case basis. We know that for a fact, and as you say, it is only in your opinion and in your judgment that you can state what the results will be if we seek to deal with the boycott as proposed in your legislation.

Some days ago when the departmental witnesses were before this subcommittee, I asked the witness from the Department of Commerce, Mr. Giles, to submit a table or an analysis showing the volume of trade with the Arab countries and with Israel for the years 1960, 1961, 1962, 1963, and 1964, and without objection I will ask that this analysis be submitted at this point in the record.

(The information referred to follows:)

*U.S. exports including reexports<sup>1</sup> to Arab countries and Israel, 1960-64*

[In thousands of dollars]

Country	1960	1961	1962	1963	1964
Israel.....	125,523	147,234	174,881	167,413	181,270
Arab countries.....	510,642	618,949	724,511	678,066	769,642
Aden.....	2,809	3,269	3,364	5,880	5,214
Algeria.....	23,821	42,115	49,977	44,639	52,990
Arabian Peninsula states, not elsewhere classified <sup>2</sup> .....	7,438	17,438	14,592	17,603	16,955
Iraq.....	36,932	37,379	34,569	32,833	56,408
Jordan.....	16,977	23,562	20,882	37,101	20,330
Kuwait.....	40,849	56,412	63,868	59,999	55,336
Lebanon.....	44,312	45,361	43,361	51,218	57,151
Libya.....	42,157	33,675	44,571	43,406	58,883
Morocco.....	34,126	65,989	52,638	56,223	37,358
Saudi Arabia.....	43,388	54,996	77,460	69,326	89,197
State of Bahrain.....	8,209	9,735	8,756	8,999	8,811
Syrian Arab Republic.....	37,722	26,819	29,485	15,161	11,022
Tunisia.....	21,250	39,512	45,975	25,902	32,118
United Arab Republic.....	150,652	162,687	235,013	209,776	267,869

<sup>1</sup> Excludes military shipments.

<sup>2</sup> Includes Yemen, Sultanate of Oman, Trucial Sheikhs, and Qatar.

Source: 1960-63, Statistical Abstract of the United States (1964); and 1964, Bureau of the Census, U.S. Department of Commerce.

*U.S. general imports from Arab countries and Israel, 1960-64*

[In thousands of dollars]

Country	1960	1961	1962	1963	1964
Israel.....	27,266	32,640	41,085	47,370	56,123
Arab Countries.....	277,687	277,555	252,498	243,256	264,679
Aden.....	265	238	114	133	404
Algeria.....	1,371	260	5,327	842	5,343
Arabian Peninsula states, not elsewhere classified <sup>1</sup> .....	4,475	24,665	22,660	29,740	44,121
Iraq.....	27,160	29,415	9,692	9,499	8,364
Jordan.....	92	496	74	81	185
Kuwait.....	123,705	108,890	87,721	67,445	52,045
Lebanon.....	3,469	4,410	5,047	6,935	7,972
Libya.....	319	458	11,933	15,834	26,553
Morocco.....	10,457	11,350	10,739	6,776	6,041
Saudi Arabia.....	65,220	56,532	66,927	78,213	85,998
State of Bahrain.....	2,826	927	646	3,102	2,728
Syrian Arab Republic.....	6,537	5,120	4,386	4,009	5,396
Tunisia.....	473	683	1,640	779	1,307
United Arab Republic.....	31,618	35,111	25,592	19,868	16,222

<sup>1</sup> Includes Yemen, Sultanate of Oman, Trucial Sheikhs, and Qatar.

Source: 1960-63, Statistical Abstract of the United States (1964); and 1964, Bureau of the Census, U.S. Department of Commerce.

Mr. ASHLEY. This table is very interesting and I will show it to you immediately after we adjourn, Mr. Multer, because I know it will be of intense interest to you.

U.S. exports to Israel in 1960 were \$125 million roughly; in 1961, \$147 million; in 1962, \$174 million; in 1963, \$167 million; in 1964, \$181 million.

Our exports to the Arab countries likewise increased from \$510 million to all of the Arab countries in 1960 to \$168 million in 1961, to \$724 million in 1962, to \$678 million in 1963, to \$769 million in 1964.

The import picture is somewhat different. Our imports from Israel have increased markedly. Of course, we are not so concerned with the import picture, but I think that it is relevant, sufficiently relevant to simply show that in 1960 we imported \$27 million worth of goods; in 1961 it was \$32 million; in 1962 it was \$41 million; in 1963 it was \$46 million; in 1964 it was \$56 million—a doubling of imports from Israel in those 5 years.

The Arab country imports in 1960 were \$277 million, they were the same in 1961, they were reduced to \$252 million in 1962, they fell to \$243 million in 1963, and in 1964 were \$264 million, obviously a decline in that 4-year period rather than the doubling that we show in the imports from Israel.

I might say that the volume, going back to the export picture, considering Israel as against the individual Arab States only are the exports to Israel exceeded by an Arab state in those instances where the Arab state is a producer of oil.

What we find, it would seem, is that the result of treating the boycott as we have during these periods, while it may have impaired our commerce with Israel to some extent, we nevertheless do find that our exports have increased from \$125 to \$181 million, and that our exports to the individual Arab countries have increased essentially proportionately. This we know as a fact.

I am not certain yet that this would have been the case had the second part of your amendment been the law of the land during these 4 years.

Mr. MULTER. I am sure you will also agree that you cannot say that those exports to and from the State of Israel might not have been much greater if we did not have this boycott.

Now the fact of the matter is that the increase in our imports from Israel and our exports to Israel is a natural growth of trade. Our exports to all countries have increased under the stimulus of the administration. In order to meet the balance of payments, we are making an all-out effort to increase our exports. Even though the actual export-import balance has always been in our favor, because of the monetary imbalance, we have tried to offset some of that by increasing and stimulating an increase of exports, and we have done so and we have done a good job.

I think the increase in imports from Israel is due in part to the fact that that country has industrialized very quickly, and it has progressed tremendously, and they are producing more goods that we can use.

The reason that there has been a falling off of imports from the Arab States is because they have not taken advantage of the present-day know-how and technology, and they have not moved forward as fast as Israel and other countries have, and they do not have what we can use in this country to the same extent as we import from Israel and from other countries. So, while I cannot dispute, and will not attempt to dispute, the figures, I do not think you can draw any conclusions from those figures that the Arab boycott has been good for Israel or good for the Arab States.

Mr. ASHLEY. Of course, I do not seek to draw——

Mr. MULTER. I know you do not.

Mr. ASHLEY. And I think you are quite right when you point out that had it not been for the boycott, the volume of our exports to Israel might well have been greater than this. I am quite willing to concede that, because I think that it is quite true.

Mr. MULTER. And I think too——

Mr. ASHLEY. I am not certain, however, that the second part of your amendment would, had it been in effect during these 4 years, have resulted in increased exports to Israel. And I might say that I still have a considerable question in my mind as to whether, had your amendment been law, the volume of our exports to the Arab nations might not have been very considerably less than the record shows they have been.

Mr. MULTER. There have been some instances placed upon the record already of cases where American firms importing from Israel have received letters from this Arab Boycott Committee indicating that any further transactions with Israel would cut off any right of this firm to import anything from the Arab States.

I think our State Department and our Commerce Department might very well have pointed out to the Arab States that their own trade with us and their exports from their country and imports into this country from the Arab States might have increased if they had given up this idea of restrictive trade and this boycott. But that has not been done, because there has been always this fear that if you suggest something to an Arab state that may be helpful to the State of Israel, it will be harmful to us. But it just does not work that way.

Mr. ASHLEY. We do know that by seeking to attack the boycott on a case-by-case basis that it has been our experience that exports have increased to Israel and that they have likewise increased to the Arab States. In other words, this does appear, does it not, to indicate some validity to the policy that we have adopted?

Mr. MULTER. Nevertheless, I cannot understand how the enactment of this is going to hamper rather than help the administration of this bill, because if they are going to insist that the way to handle this is on a case-by-case basis, they are making more work for themselves.

The unfortunate part of it is that when the big institution, the big firm gets in touch with State or Commerce, and they take that matter up on a case-by-case basis, they work something out. But too many small firms get this doubletalk from them and get one of these do-it-yourself kits in response to the letter "What do we do?" and they are put on their own and they do not have the facilities or the money with which to send somebody to Washington and make protests on their behalf and get some help?

And how many small firms are there, that when they get this kind of a thing, they run away from it, when they get the answer back from the Commerce or State Department that "We are helpless, we cannot do anything. It is a matter of foreign policy with a foreign country and we cannot interfere with that"? It is that little fellow we have got to protect.

The big fellow can always take care of himself. This will strengthen the hand of Commerce and the State Departments, I say, saying to anybody who makes the inquiry, "This is our policy. Stand up for it; we are behind you."

Mr. ASHLEY. Mr. Multer, I would like to continue questioning, but it has been pointed out by a junior member of this subcommittee that my time has expired.

That is for the record, Mr. St Germain.

Mr. Halpern?

Mr. HALPERN. Thank you, Mr. Chairman. First, like the other witnesses this morning, you have presented a very good case for the proposed amendment to the extension of the Export Control Act.

Before I ask some questions I have in mind I would like to make a comment.

I am very glad, Mr. Chairman, that you have agreed that our exports to Israel would have been more, at least you presume there would be more if it were not for this boycott. Now I am not going to take the time at this late hour to detail how I feel this boycott has seriously affected the exports to Israel. I talked about this at last week's hearings. It is in the record having come out when one of the witnesses stated that the boycott did not have much of an effect on trade with Israel. I cited how it did affect American trade and investment opportunity in Israel. I don't think it's necessary to repeat it today.

I feel that a key point was made this morning that this is not a matter that would affect foreign policy, that this is distinctly a commercial matter, one that affects the American businessman, and I can only conclude that it is he who is aggrieved, not the Arabs or not the Israelis. It is obvious from the testimony of the State and Commerce Department representatives, that they have not been successful

in alleviating the blacklist and the boycott. And they have had 15 years to do it.

Now I am pleased that our distinguished colleague, Mr. Multer, who has been in the forefront of this effort for many years, has emphasized the commercial aspect, or rather the commercial policy affected here.

Now I should like to point out that the last quarterly report on the administration of the Export Control Act makes clear that a paramount objective of U.S. policy is the establishment of freer trade among the nations of the free world.

Since the ultimate objective of the antiboycott legislation is the removal of certain existing limitations on U.S. trade opportunities abroad, you are convinced, are you not, that this type of amendment appropriately belongs in the Export Control Act.

Mr. MULTER. I know of no other place to put it unless you are going to enact it as a separate statute.

Mr. HALPERN. Now, does not this legislation hit at a fundamental principle, that we should resist any attempt by foreign countries to interfere with our commerce with friendly nations, and since experience obviously proves that this cannot be accomplished through administrative action, I gather that you feel that we have no alternative but to do so through our own domestic laws?

Mr. MULTER. We have gone to war for free trade. This is basic to our foreign affairs principles and policies.

Mr. HALPERN. Then you feel that in enacting such legislation as this, that we are establishing a basic policy for all American business to follow?

Mr. MULTER. Reiterating it, sir.

Mr. HALPERN. Right, and you also feel that rather than restricting trade to American businessmen, we will be giving them complete freedom to trade with any free nation they choose?

Mr. MULTER. I believe so.

Mr. HALPERN. It was clearly brought out at these hearings that one of the major injuries of this boycott is that it constitutes a deterrent to normal commercial dealings, and hence its whole injury cannot be measured by mere facts and figures as to trade expansion statistics.

Mr. MULTER. A boycott is a weapon, and it is always used as a weapon. It not only has its commercial effects, it has its political effects.

Mr. HALPERN. This may be political as far as the Arab States are concerned, and we cannot tell them or tell other countries what to do or what not to do. But we can legislate U.S. export control policy, and is that not just what we are doing here?

Mr. MULTER. If this is good principle, it should be enacted whether it crosses commercial lines into political lines or not?

Mr. HALPERN. Thank you.

That is all, Mr. Chairman.

Mr. ASHLEY. Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

I would like to commend our colleague, who is one of the ranking members on the parent committee, for his statement and for his contributions.

I would also like to observe that I was gratified to detect the chairman of the subcommittee appears to be very slowly persuaded by the logic of the arguments being presented here this morning.

Mr. MULTER. I think, in fairness to the chairman, we should say he has always been sympathetic.

Mr. ST GERMAIN. He has a very open mind, and I must state that I am very gratified to see this demonstrated.

Mr. ASHLEY. Let the record show that there was no comment from the chairman.

Mr. MULTER. I did not mean to compromise or try to get the chairman's views stated on the record, but indicating that he is sympathetic, I do mean just that, that you are openminded and fair in all your approach to this and every other problem that comes before us.

When I say "us," I mean not only our committee, but the Congress.

Mr. ASHLEY. Thank you very much.

Mr. ST GERMAIN. Mr. Multer, would you have available copies of these questionnaires, these certificates?

Mr. MULTER. I believe either State or Commerce has already submitted them to be made a part of the record.

I did inquire about them, and I believe they took them back for correction of the transcript and they will be submitted as part of the record.

Mr. ST GERMAIN. I think that it might be of immense value to the members of the subcommittee——

Mr. MULTER. I am sure they would be.

Mr. ST GERMAIN. To have these handy so they could see what the American businessman is exposed to.

I do not think that any further questioning by myself would expand to any degree on Mr. Multer's testimony. I think he has made an excellent presentation.

Mr. MULTER. Thank you, sir.

Mr. ASHLEY. Mr. Mize.

Mr. MIZE. Thank you.

Let us face the facts. This amendment is going to irritate the Arabs, to say the least.

Mr. MULTER. Well, let's assume that it does.

Mr. MIZE. Right.

Mr. MULTER. Let's assume that it does. It should not. They are in the wrong, and if I raise my hand to strike you and that irritates you to throw up your arm and give me the first punch, you have a right to do it. So if it irritates them, I say let's assume that it does. It has no right to because they are in the wrong. But let's proceed with the assumption that it does.

Mr. MIZE. Has the State Department or the Commerce Department conjectured on what kind of retaliation the Arab States may take if we pass this amendment?

Mr. MULTER. This is what I would be very interested in hearing from either State or Commerce. They would say to us, "We are afraid that this is going to cause some trouble, it is going to irritate them, it will cause deterioration." What is going to happen?

That they have not indicated to us. I do not think they can. I am willing to take either a guess, or call it a judgment, from them as to

what would happen if this is enacted. They have not told us. I do not think they can.

Mr. MIZE. Well, now, I believe it was Congressman Celler who said that the boycott has forced the American businessman in many instances to choose whether he deals with the Arabs or the Israelis. I think he said that.

As I understand it, if this resolution is passed, the American businessman who wished to trade with both the Arab States and with the Israelis would no longer be able to do so, in that he could not comply with the Arab import regulations that are set up by the Arab States.

Mr. MULTER. If the Arab countries should insist on asking him for a certification or to answer certain questions as they are doing now, despite the enactment of this statute, then he either violates the law or ceases to do business with them. But as every witness has said, and as experience has shown us, whether it be the Hilton chain or the Chase Manhattan Bank, or any of the other big companies, the Shell Oil Co., some of the big automobile companies, the Arabs back away when you refuse to give them the information.

But this is a choice that the American businessman will have to make. This will be the law of the land, if it should be enacted. He cannot give the information even if it means foregoing the privilege or the right of doing business with that country.

Mr. MIZE. If the Arabs were not carrying on this boycott against the Israelis, would there be any reason for us to tell the American businessman that he does not have a right to answer Arab import questionnaires and so forth if we did not like some of the questions in those?

Mr. MULTER. I think under the basic statutes that we have enacted here in the United States, any country, whether an Arab country as part of a boycott or otherwise should ask any American firm to submit biographies and insist in those biographies they must indicate where they were born and what their race was and what their religion is and that of their parents, and possibly in some instances grandparents, I would say we have a right to tell the American "Do not answer that. You cannot give that information to an American here at home, he cannot ask for that information, we are not going to let you violate our American law because some foreigner asks you for it."

Mr. MIZE. Thank you, Mr. Multer.

Mr. CABELL. One short question, Mr. Chairman.

I, too, would like to commend our very able colleague for his very realistic and dispassionate testimony.

Mr. MULTER. Thank you, sir.

Mr. CABELL. In the wording of this language, sir, do you deem it at all possible that it would be interpreted to prohibit normal business statements as between customer and supplier?

Mr. MULTER. Oh, no.

Mr. CABELL. I wanted that in the record specifically dealing with their financial condition, their ability to produce, and that sort of thing.

Mr. MULTER. Certainly there is nothing in this which is intended to disrupt the normal trade between countries and the normal requests that must be answered. Before you extend credit to me, you have a right to know what my financial status is. You have a right

to know my obligations and the like. This is proper to ask, and there is nothing in this bill which intends to stop anyone from doing that. You even have a right to ask if I am doing business with some competitor of yours. I think this is proper. This is asked in business channels.

But to go as far as they are going here, the questions they ask, that is all we are trying to do is to stop the asking of improper questions.

Mr. CABELL. I thank the gentleman for his contribution.

Mr. ASHLEY. Mr. McGrath?

Mr. McGRATH. I have no questions.

I also want to commend Mr. Multer, Mr. Chairman.

Mr. MULTER. Thank you, sir.

Mr. ASHLEY. Thank you very much for your very helpful testimony.

Mr. MULTER. Thank you all.

Mr. ASHLEY. The subcommittee will continue to sit.

Our next witness will be our distinguished colleague from California, Mr. Roosevelt.

Mr. Roosevelt, I do not know how you feel about answering the quorum call.

Mr. ROOSEVELT. Mr. Chairman, may I say that if our colleague Mr. Farbstein would like to testify now, I will be happy to answer it. I was absent, unfortunately, in a rather disastrous period earlier in the session. I would like to answer it.

Mr. ASHLEY. Mr. Farbstein, if you would care to testify, Mr. Roosevelt will answer the quorum call and we will be very pleased to hear from you.

Mr. FARBSTAIN. I, too, must answer the quorum call, so I will answer it and come back. However, I submit herewith, my statement for the record should I be unable to return.

Mr. ASHLEY. The subcommittee will stand in recess until a quarter of one.

(Whereupon, at 12:15 p.m., the subcommittee recessed, to reconvene at 12:45 p.m., the same day.)

#### AFTERNOON SESSION

Mr. ASHLEY. The subcommittee will come to order. In deference to our colleague, Mr. Farbstein, who had been waiting to testify for some hours, without objection his statement will appear in the record at this point.

(Mr. Farbstein's statement follows:)

#### STATEMENT OF HON. LEONARD FARBSTAIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, members of the committee, I appreciate this opportunity to appear before you in support of the antiboycott amendment to the Export Control Act, of which I am one of the sponsors.

Last week you heard representatives of the State and Commerce Departments express their firm opposition to the enactment of this legislation. The Under Secretary of State, who, on the day he appeared, was acting as Secretary of State, took time from his busy schedule, filled with crucial foreign policy problems, to appear here

and warn you of the so-called dangers of this relatively minor piece of legislation.

What were the perils of which the Under Secretary and his associates in the executive branch warned you?

They told you that enactment of the antiboycott amendment would damage our ability to conduct U.S. trade restrictions on Cuba.

They told you that the impact of the Arab boycott on U.S. commerce would become more severe.

They told you that Israel conducted a boycott of its own.

They told you that American businessmen were disinterested in the antiboycott legislation.

They told you that the big oil companies opposed enactment of our proposal.

They admitted that for the past 15 years they were unable to curb the effects of the Arab boycott in the United States.

They suggested that American businessmen should learn to live with boycotts.

And finally, they said that any legislation designed to protect American businessmen from boycotts would be too difficult for them to administer.

Mr. Chairman, after reviewing the testimony that was presented here last week, I was astonished at the distortion of the intent of our proposal that it contained. And I was grieved by the apparent indifference displayed by the State and Commerce spokesmen to the long-neglected interests of American oversea traders.

My fellow cosponsors will deal with some of the questionable material that was paraded across this landscape last week. I should like to discuss several of those points.

The attempt to equate U.S. trade controls affecting Cuba with the restrictions of the Arab boycott was no less than a transparent distortion. Let me emphasize again, as some of you did last week in your questioning, that U.S. trade restrictions against unfriendly nations are implemented by the control of American products, services, and processes. We do not take sanctions against other friendly countries when they sell their own goods and services to Cuba, China, and other bloc countries. We only seek to prevent the diversion of our own.

Even in shipping controls, we only use resources that are ours in seeking our objectives. Third country shipping that trades with Cuba and the bloc is not allowed to carry U.S. Government-financed cargoes. But they can call at our ports. They can pick up and carry non-Government-financed commercial cargoes. And they can even take on bunkers of oil, reduced only by the amount of fuel they use in their voyages involving Communist ports.

The story you heard here last week was quite different. But what I have said here are the facts.

There is a fundamental difference between our trade controls and those of the Arab boycott. The Arab boycott seeks to gain its objectives by controlling goods and services that are produced, belong to, and are originated in other countries. By what right do the Arab States tell American businessmen where they can sell their goods and services? But this is precisely what is happening.

I am sure there would be little objection in the Congress if the Arab States chose to place sanctions on American firms that diverted Arab produced goods and services to Israel. And I doubt that we would be overly critical if the Arab States terminated their foreign aid to countries that traded with Israel. We could hardly take exception to such actions, because they would be comparable to our trade controls.

But we object to the Arab States, or anybody else, questioning us about where we can trade. And as for Arab foreign aid, we are quite willing to assume the consequences of failing to qualify for it.

The State and Commerce spokesmen told you that if we blocked responses to Arab questionnaires our capacity to question foreign companies whom we suspect divert American strategic products and processes would be limited. Aside from the obvious illogic of this comparison, which some of you highlighted last week, it raises serious question about our capacity to gather information on the diversion of our strategic materials. They question American firms as to the countries with which they trade despite the fact these firms do not trade with Arab countries—in some cases.

Finally, there was another inconsistency in the testimony you heard last week. The State Department spokesmen contended that our amendment would interfere with our program of economic denial to Communist countries, such as Cuba. The purpose of this program, of course, is to curb Communist penetration. Yet the same spokesman glossed over a question about the supply of Communist arms to Egypt to Cyprus. The arms, he contended, were channeled through Egypt merely as a matter of convenience. This is not so. They may have originated in the Soviet Union but were obtained by exchanging Egyptian cotton therefor. These were Communist arms. And they were going to a trouble spot.

It would be tempting, Mr. Chairman, to dissect further transparent testimony that was presented here last week. But let me conclude by saying that none of it really addressed itself to the heart of our amendment, which is to offer American businessmen some protection from the harassment of foreign boycotts.

Our amendment is not directed against persons, groups, or governments. It is not proposed for punitive purposes. And it really would not be as difficult to administer as the overly modest representatives from the Commerce Department would have you believe.

What we propose is a necessary and uncomplicated piece of legislation. It is long overdue. And it is high time the Congress enacted it.

Mr. ASHLEY. Our next witness is our very distinguished colleague from California, Mr. Roosevelt, a principal sponsor of the so-called antiboycott amendment, which is certainly taking considerable time of this subcommittee. We are delighted to have you here, Mr. Roosevelt, and as a principal sponsor, we look to you for guidance and for testimony and will be glad to have you proceed in any way you see fit.

**STATEMENT OF HON. JAMES ROOSEVELT, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. ROOSEVELT. Thank you, Mr. Chairman.

Mr. Chairman, may I first say that I have been asked particularly to state that Congressmen Ryan and Scheuer have asked me to say that they join in the statement which I will have the privilege of making to you and also to say that other authors of similar bills who have not had the opportunity to testify would like to be listed as joining in the statement which I am about to make to you and to members of your committee.

I do appreciate this opportunity to appear before you again in support of the antiboycott amendment to the Export Control Act of 1949. Last week you heard the State and Commerce Department spokesmen express their opposition to the antiboycott provision. As others have also testified today, I join with them in disappointment with their position and their apparent indifference to the just grievances of American companies which have been subjected to the indignities of the Arab boycott for the past 15 years.

I feel strongly that they distorted the nature, the purpose, and the consequences of the antiboycott legislation. Gentlemen, I urge you to reject their position and to recommend enactment of the antiboycott amendment.

The State and Commerce witnesses expressed their displeasure with the Arab boycott. Indeed, when the Secretary of Commerce, the Honorable John T. Connor, testified before the full committee on Wednesday, May 5, of this year, he said: "Well, sir, I think the Arab boycott is deplorable." And when Mr. Halpern stated: "As the man most interested in selling American goods abroad, I assume that you would like to see these restrictions broken." And the Secretary responded to that question by saying, "No question about it." But what words of encouragement—and I, too, have read the record—have I heard from them with respect to remedial action?

They admitted that the boycott was fact, but they said that American businessmen must learn to live with it. They propose that American business continue to be crippled. They admitted that for 15 years they have been unable to erase this interference and harassment of American business. But worse, they declared that they were unwilling to do anything about it. In fact, you heard the Commerce Department witness recommend that American business firms cooperate with the boycott because if they do not, they may be blacklisted on the basis of inaccurate information.

Now this, Mr. Chairman, is the ultimate reduction to absurdity, and it portrays the transparency of the State-Commerce case as it has been placed before you, and the indifference of those great departments who are charged with the responsibility of protecting American overseas commerce.

The Department of State called for a pragmatic approach to the boycott problem, but we see from their own testimony that for 15 years a pragmatic approach has meant a do-nothing approach. In

fact, they are calling for the continuation of a gentlemen's agreement that permits the boycott to inject itself into American foreign commerce, and on which the boycott thrives.

Pragmatism never has been the bulwark of American foreign policy. I hope that, not only now but always, principle will be its strength. There is no pragmatism in Vietnam. There is no pragmatism in Latin America. We are not seeking easy solutions to the trouble spots of the world. We are being urged to commit American resources and American lives not on grounds of pragmatism but on grounds of principle, on the grounds of what we believe to be right. But here you witness the depressing spectacle of the prime architect of our foreign policy, the State Department, pleading for something less than principle, indeed agreeing that principle is violated, something less than right, something pragmatic.

This was the best case that they could make against a minor remedy, and yet an important one, a right remedy, a principled remedy that we propose to make available to American traders to end unjust interference in their commercial dealings.

Mr. Chairman, knowing that you are a student of American history, we have never failed in the past to take action just because we were afraid that some group might be a little bit hurt or a little bit, shall I say, resentful of the fact that we were taking a right action.

The State Department is confronted with problems of great complexity, of real principle, yet on a day last week when America faced international crises of large dimensions, they took the time of the Acting Secretary of State to come here for the purpose of summarily quashing a minor remedy that would help solve an irritating problem for which they admitted they have been unable to provide any real relief. Where is their sense of proportion?

And what sort of arguments did they employ? They introduced a brand of tenuous logic in attempting to demonstrate that there is little difference between American export controls and Arab boycott restrictions. This attempted comparison is a gross distortion of the nature of each—and I am sure that members of this committee will recognize it.

They told you that American business is not interested in the anti-boycott amendment, and in fact they almost stated that it is against it. But what concrete evidence did they provide to support this allegation? All they told you was that the oil companies, which apparently were the only American business concerns that they consulted, would not approve of the antiboycott amendment.

Mr. Chairman, of course the oil companies are disinterested in the antiboycott legislation, because they are not affected by the boycott, and because of their close relations with several Middle Eastern states, they are immune from the boycott, and we all know it. The anti-boycott amendment is not designed to protect the interests of the oil companies. They are strong enough to protect their own interests, and they continue to have the State Department to assist them in so doing.

But how can State and Commerce presume to speak for American business concerns who have suffered boycott interference when obviously they have not even bothered to consult them? The State and Commerce representatives did not tell you that early this month

groups of American businessmen called on the Secretary of Commerce, the Under Secretary of Commerce, whom I happen to know, and a Deputy Assistant Secretary of State, to urge their support for the antiboycott legislation.

I am informed that tomorrow you will hear testimony from representatives of American business firms, large and small, who will urge enactment of the antiboycott amendment.

Are State and Commerce completely indifferent and insensitive to these expressions of opinion, or do they deliberately choose to ignore them?

Mr. Chairman, before concluding my statement, I would like to set the record straight on some points and allegations that were raised here last week.

It was asserted that the U.S. program of economic denial to Communist countries would be damaged by enactment of our amendment, because a precedent thereby would be set for government's protecting their business firms from requests for information from other governments. Let me emphasize again that there is a world of difference between the U.S. economic denial program and the Arab boycott. The Arab boycott preys on goods and services originating and produced in third countries which in the course of their movement do not even touch Arab countries. Our program controls the use and destination of specified American goods and services.

Our program is designed to penalize companies in other countries which have falsified export declarations covering these strategic American goods and services. Our requests for information are aimed at identifying these cases of falsification. It is clear that the listed strategic American items are very much in demand. Therefore it is reasonable to assume that no foreign company purchasing them in the United States would object to verifying the validity of their export declarations. And as for companies who falsify their export declarations, either they would not honestly answer our inquiries or more reliable means than their responses would be required to establish their defalcation.

In any case, I seriously doubt that the State and Commerce Departments rely simply on inquiries to private companies to establish cases of diversion. The two Departments have a widespread and a well-staffed network of commercial attachés and economic officers in our embassies and consulates throughout the world. Certainly this apparatus, not the inquiries to private companies, is the prime source of information for our economic denial programs.

The argument of damage to our economic denial programs, which incidentally was not supported last week by a shred of concrete evidence, sounds like pure sophistry.

It was stated here last week that the enactment of the antiboycott amendment would have the effect of stiffening the Arab boycott, because we would be interfering with and challenging a policy they consider useful. We are not proposing to challenge the Arab boycott, but we do challenge its interference in the American domestic economy, in its effect on American commercial decisions and practices. Since when do we cower before foreign sentiments and sensitivities in asserting the interests of American commerce? And if the State Department is overcome by timidity, which it apparently has been

in this case, it is clearly the responsibility of the Congress of the United States to maintain the necessary perspective.

Again, Mr. Chairman, there is no evidence that there would be or could be any retaliation against American concerns if we take this proper step.

If the State and Commerce Departments had presented concrete evidence, it would have disclosed the opposite, I believe, of what they allege. Accumulated evidence proves that the Arab States use the boycott as an instrument of convenience. They never have permitted it to interfere with their economic self-interest. Indeed, when it is in their economic self-interest, they just pass it up, and they do not enforce it. It is only when it is not in their economic self-interest that they enforce it against somebody that they do not feel has some power to deny the interests of the Arab States themselves. They never have permitted it to interfere, as I have said, in any manner with their self-interest. And in cases where the boycott has been challenged, it consistently has been challenged, it consistently has been bent to the economic self-interest of the countries who practice it. Challenges to the boycott thus result in its wilting away, and to their credit, the Arab States do not cut off their noses to spite their faces.

And therefore any allegation that we have anything to fear in this line, it seems to me, is disproven by the facts.

It was alleged here last week that Israel had adopted practices comparable to the Arab boycott. Mr. Chairman, I have carefully investigated this allegation, and am pleased to categorically deny the charge and its implications. Israel does not bombard foreign companies, either here or anywhere else, with questionnaires. Israel does not require negative certificates of origin. Israel does not require affidavits as a precondition of trading in that country. Israel neither inquiries into nor challenges the commercial activities of American businessmen in any other country. Israel welcomes and encourages trade and investment, whatever its origin. There are no conditions, and there are no restrictions. Israel even would welcome the entry of Arab products, were they available.

What the State Department witness referred to, and what he did not fully elaborate before this committee, is the recently adopted Israeli policy of examining the issuance of import permits for products of companies who have capitulated to the requirements of the Arab boycott. These are companies who want it both ways. They want to fulfill Arab boycott demands, but they nevertheless wish to exploit a promising and expanding Israeli market. And so they have attempted to push the Israelis into what we might call under-the-table dealing. And I submit, Mr. Chairman, what self-respecting country could be expected to suffer this sort of indignity? I am pleased to report that a large American concern in the rubber industry, that until recently had practiced under-the-table dealings with Israel, now has placed its commercial relationship with Israel above board.

I believe it would be appropriate at this point to record that after Canada, Israel, as was I think partially brought out this morning, is the largest per capita consumer of American goods and services in the world, and excluding aid granted under the terms of Public Law

480—and I think you, Mr. Chairman, included some of those in the statistics which you gave this morning—35 percent of the American exports to the Middle East go to Israel.

Nevertheless, potential Israeli consumers of American goods and services still encounter major problems buying in American markets. Let me cite two recent cases. An Israeli firm spent 2 years searching for an American company which would agree to supply know-how for a certain industry. After tedious negotiations and numerous refusals, an American concern finally agreed to supply the demand. But even now there still is an atmosphere of fear in which the Israeli purchaser and the American supplier are afraid that any publicity might endanger the commitment.

In another case, an Israeli concern searched long and hard for a U.S. know-how which would be supplied on strictly commercial terms. After many rebuffs, the Israeli company located an American firm which would agree to supply the demand, but only if the transaction were consummated through a dummy American firm in a foreign country.

What kind of business are we trying to create here through this kind of shenanigans?

Mr. Chairman, may I say that I have not named these companies for obvious reasons, but if the committee wishes to have them, if I may under rules of executive session, I will be very happy to supply them in order that you may go into them on your own.

Such is the poison, it seems to me, that the Arab boycott has injected into the American commercial picture, and do not forget for a moment that the main loser is neither Arab nor Israeli, but the U.S. balance of payments.

The contention was made here last week that the antiboycott amendment would penalize the American businessman and deprive him of freedom of choice in his Middle East transactions. But what freedom of choice does he now enjoy? To succumb to commercial blackmail? To do business under the table? Or if he is sufficiently great and mighty, to ignore the unpleasant atmosphere in which less great and less mighty American enterprises are compelled to operate.

Our amendment is designed precisely to create the atmosphere in which this freedom of choice might be made. It would dispel the vague atmosphere of insecurity that has depressed American companies who are anxious to exploit fully their Middle East commercial opportunities. It would dissolve the pattern of discrimination between the large and the small, between the veteran traders and the companies newly venturing into the Middle East market. It would introduce an element of equality, or real competition among American companies. It would assert the immunity of the American commercial community from third-country embroilments. It would mark a milestone not in just this particular case but for all countries in the future to be guided by.

Mr. Chairman, I have here a concrete example of how American companies may indeed exercise freedom of choice in their commercial dealing with the Arab States, even while they blatantly and publicly challenge the Arab boycott. Last Sunday, May 16, the New York Herald Tribune published the last in a series of three articles exposing the machinations of the Arab boycott in American com-

mercial life. In the same edition of that newspaper was a special advertising supplement issued for and purchased by the Government of Bahrein, and Arab Government that participates in the boycott. The New York Herald Tribune exercised freedom of choice. It published the exposé and criticism of the Arab boycott, and so did the Government of Bahrein exercise freedom of choice. It purchased advertising space, rather expensive advertising space, I might say, in an American newspaper whose editorial position on the boycott was unequivocal and a matter of record. In this commercial transaction, the boycott obviously was an extraneous consideration.

Finally, Mr. Chairman, the Department of Commerce maintained last week that it would have difficulty administering the antiboycott amendment if it was enacted. But I have faith and respect for the capacity of our great executive departments to find the means of administering statutes, and what I believe upon examination you will all agree are simple ones at that, which are enacted by the Congress. If the language of the amendment is imperfect, however, as was suggested by the Department of Commerce witness, I am certain that the cosponsors together with the subcommittee can work out more precise terminology. I have language, Mr. Chairman, ready that should meet the objections of the Commerce Department, which I would be pleased to submit to the committee at this time, and I believe we would welcome the improvement in legislative drafting before the measure is presented to the House, if it can properly be done.

But I must say that I hope that no changes in legislative drafting will simply be used to cover up some innocuous measure that will not result in action on the problem and merely be a pious statement of hope.

Mr. Chairman and members of the committee, I again urge favorable consideration of our proposed amendment, which I believe to be practical, to be in the interests of the country, and to be placed upon the highest ground of good and sound principle.

Thank you very much.

Mr. ASHLEY. Thank you, Mr. Roosevelt, for a most illuminating statement.

On the first page of your statement you point out that the Department of State admitted that the boycott was a fact, which of course it most certainly is. You go on to say: "But they said that American businessmen must learn to live with it. They propose that American businessmen continue to be crippled."

How would your amendment really change this? Your amendment would not change the boycott, would it?

Mr. ROOSEVELT. The amendment would make it completely impossible for the Arab countries or any Arab country to assert the kind of pressure which they now exercise through their questionnaires and through their threats upon a company which might, or perhaps might not, but might even be contemplating doing business with Israel, or for that matter, at some future time with some other country.

Suppose, for instance, that the three countries who broke off relationships with West Germany were now being told by those three companies that they must fulfill this condition or they would be told that if they were dealing with West Germany, that they would not be able to satisfactorily comply, and the boycott would be used against

them. So I want to point out that it is not farfetched to say that this is not just something that is an Arab-Israel problem.

Mr. ASHLEY. We are talking, however, about companies that seek to do business both with the Arab States and Israel, are we not?

Mr. ROOSEVELT. Well, so far that is correct.

Mr. ASHLEY. The examples you give relate to companies of that sort.

Mr. ROOSEVELT. That is correct. That is where the record now lies.

Mr. ASHLEY. If your amendment were adopted and became part of our Export Control Act law, what would be the position of American business concerns seeking to do business both with the Arab States and Israel? How would their position be substantively different than it is today? Would you expect other efforts on the part of the Arab League to elicit information in order to carry out their boycott?

Mr. ROOSEVELT. I would doubt it very much, Mr. Chairman. Once we make clear to them, as this legislation would, that this kind of third-party boycott is not looked upon with favor and is completely disapproved by the United States with whom they have such important relationships, I would think you would find that the whole question of boycott would be rapidly dropped as a means through which the Arab countries try to carry on their warfare with the State of Israel.

Mr. ASHLEY. Do you think it would be the statement of policy or the second part of the amendment that would be so persuasive to the Arab States?

Mr. ROOSEVELT. I think it would be both, sir. I think it would be a recognition of the strong feeling of principle on the part of the American Government and its people, and I have found in many, many instances—as I am sure can be documented many times over—that we only suffer in this country when we do not have the courage to stand up and stand on our principle, and then other countries, one might call them overassertive countries, take advantage of what they think is our weakness.

But when they are sure of our strength, they do not do so.

Mr. ASHLEY. If the statement of policy were adopted but failed to persuade the Arab League in pursuance of the boycott with respect to this country, then most certainly it could find other means, could it not, to elicit the information upon which to implement its boycott?

Mr. ROOSEVELT. I would not want to reflect on the ingenuity of the Arab countries.

Mr. ASHLEY. This would be their effort, would it not?

Mr. ROOSEVELT. I doubt it very much, sir. I doubt it very much, because we would have closed the one door through which they now practice this, and I think they would get the message. But I think if we only make it a general sense of principle and we do not go to the practicality of the case directly before us, they would recognize it as a weakness, and therefore the two things must go together.

We must state the principle and we must close the door which they are now using, and I do not believe they will create any other doors in order to carry it out.

Mr. ASHLEY. Well, if the statement of purpose is not sufficient to persuade them, then it could be expected, could it not, that they would seek this information by other means?

Mr. ROOSEVELT. I doubt it very much, sir, because I think that they would know that then we would have to take the next step if they tried

to open another door. They know we would have to take the next step, and that would worsen a situation instead of creating a better situation. It would worsen it, because then two doors would have been closed, until finally they came to the position where there might be real suffering on their part, and they are not about to do that.

I think you would find it would be dropped right away. If they have any sense, let me put it that way, they would not open any other doors once we make it clear by closing the first door that they are now using.

Mr. ASHLEY. Mr. Halpern.

Mr. HALPERN. First, Mr. Chairman, I would like to commend our distinguished witness, our very able colleague from California, on the incredible job that he did before this committee, refuting in my opinion, every contention made by last week's witnesses who opposed this legislation.

Now do you not think that our traditional role as an opponent of restrictive trade practice puts us in an embarrassing and contradictory position abroad if we fail to assert the principle of this legislation and protect American commercial interests?

Mr. ROOSEVELT. I certainly do, Mr. Halpern, and I might add to that that every time we contradict our own proposals, we only create troubles for ourselves, and I would like to see us now be consistent with what we all recognize as a sound foreign policy.

Mr. HALPERN. I gather from your testimony that you feel that the State Department during the last 15 years has been ineffective, to say the least, in lessening this boycott. Do you feel that this can be done without the aid of protective legislation such as you propose?

Mr. ROOSEVELT. I think the record clearly shows, and the fact that they have come up with no other specific suggestions as to how it can be better done, would indicate that there is only this sound way to do it at this time, outside of some pious hope, expression of hope, which I believe is completely ineffective.

Mr. HALPERN. Very simply then does not this legislation raise a fundamental principle that we should resist any attempt by any foreign country to interfere with our commerce with friendly nations, and since this obviously has not been accomplished through administrative action, that we must do so through our own domestic laws by establishing a basic principle for all American businesses to follow, which, in turn, will then give them freedom to trade with any country they wish?

Mr. ROOSEVELT. I heartily endorse your statement, sir, and I think that you will find there historical precedent after precedent of doing just exactly what you have stated, and that this is the declared historical policy of our country, and not to do so now would seem to indicate, it would seem to me, to other countries that we are about to break away from what I think most Americans would certainly like to maintain as our policy.

Mr. HALPERN. I was particularly pleased to note that you mentioned the balance-of-payments aspect of the boycott. Do you see the existing practice as a step backward to the American balance-of-payments position where American firms are responding to the opportunities of exporting and investing?

Mr. ROOSEVELT. I would say to my colleague from New York that I would feel very strongly that the exact opposite is true. We noticed this morning, in the figures that were brought out, that exports are slowly rising, but how much greater would be the rise if there was not this fear.

We have no way, of course, to judge this in dollars and cents, but we have specific instances where exports would have risen, and therefore, if there are those specific instances, we must assume that they can be multiplied many times and that our exports would increase.

Mr. HALPERN. Right; so you do feel it would help our balance-of-payments posture if we were to enact this amendment.

Mr. ROOSEVELT. We very definitely do.

Mr. ASHLEY. Would the gentleman yield?

Mr. HALPERN. Surely.

Mr. ASHLEY. I think inasmuch as the gentleman from California raised this point and our colleague from New York has pursued it, that it is worth noting that we have a favorable net balance of trade with the Arab bloc nations of approximately a half billion dollars. Our net favorable balance of trade with Israel is about \$130 million.

Mr. ROOSEVELT. I think you make a good point, sir. Maybe it would be a more favorable balance of trade if we didn't have this fear that keeps us from exporting and making it more favorable. Thank you for making the point.

Mr. ASHLEY. I must say that if you want to assume that the Arab league is going to roll over and play dead as far as the United States is concerned, as a matter of fact it is going to engage all the more in trade with the United States, because of the action which you propose, then I think that the gentleman's point is well taken.

Mr. ROOSEVELT. Mr. Chairman, we are not asking anybody to roll over and play dead. We are not trying to kill the Arab States.

Mr. ASHLEY. No; I am talking about—

Mr. ROOSEVELT. There is no reason why they can't go on doing business with us.

Mr. ASHLEY. By saying "roll over and play dead," what I meant to say is that there is no indication they are going to cease and desist their boycott efforts so far as U.S. business firms are concerned.

Mr. ROOSEVELT. Mr. Chairman, then why don't they tweak the nose of the Chase Manhattan Bank when it tells them to go jump in the lake? Because it is in their self-interest to continue to do so and it is going to continue to be in their self-interest to do so with us. If we take this proper point they will still do business with us because it is in their self-interest. But we won't be intimidating the businessman in America who has a right to be protected by his Government from this kind of intimidation by a foreign government.

Mr. ASHLEY. Well, not to argue with the witness at all, but I must say that your contention is valid, it seems to me, only if you assume, as you do, that the Arab boycott will fall as a result of this legislation, that the information upon which the boycott is operated will not otherwise be available. Only then is the gentleman's position valid as I see it. And if the gentleman is right on that, then most certainly this legislation should be adopted.

Mr. ROOSEVELT. I agree, and that is my contention and it is my assumption, and until it is disproven I think it is a fair assumption.

Mr. ASHLEY. Thank you, Mr. Halpern.

Mr. HALPERN. Mr. Chairman, if, as the chairman just suggested, the Arab league tries to circumvent this legislation would that not be clear evidence to the Congress that the league has no respect whatsoever for the wishes of the majority of Americans as reflected in their Representatives in Congress?

Mr. ROOSEVELT. I agree with you.

Mr. HALPERN. And we certainly have, if they do flaunt this, other means within our activities in Congress such as the Public Law 480 program, the economic assistance program, and other means with which we can properly and adequately deal with this in the future.

Would you not agree, Mr. Roosevelt, that the motivation behind this boycott is purely political, that there is no economic reasoning with the application of a tariff, and would you go one step further and say by inference the United States is accepting association with the political objective of a foreign nation by not enacting this amendment?

Mr. ROOSEVELT. I would join the gentleman in his statement completely, and I think that the fact that when it is clearly in their self-interest to bow to a resisting company, that it indicates it doesn't have any basic economic principle that is involved in this boycott, that it is primarily political and for us to join in helping them in that political aim it seems to be most unfortunate.

Mr. HALPERN. You feel, do you not, that this should be a matter of U.S. foreign policy, that this is purely a commercial matter. The aggrieved parties here are the American businessmen and American businesses, not the Israelis and not the Arabs?

Mr. ROOSEVELT. Mr. Halpern, I would say that the American Government has made very clear that it is not our foreign policy, and in fact it is just the opposite of our foreign policy. Our foreign policy is to seek a peace and not to do anything that would hinder the arriving at a peace in the Middle East. And, through this recognition of this boycott, indirectly we are continuing to support one of the measures that hampers us reaching that condition.

Mr. HALPERN. From your own examination of this subject and I want to take this opportunity to commend the witness for his leadership in this field—you have been a pillar of strength to all of us concerned with this obnoxious practice—have you heard from all segments of American life relative to this amendment? Have you learned of any single American firm that has come out against this proposal?

Mr. ROOSEVELT. No, sir, except that I believe the Department indicated that perhaps some members of the oil industry would not favor this proposal. I don't know whether that is in the record.

Mr. HALPERN. No, as a matter of fact we asked that question of the witnesses and they said they knew of no such—

Mr. ROOSEVELT. Then we would not like to even impute it to them because if there were any group that perhaps had a selfish reason to do this it would be such companies, and in fact the fact that they have not done so affirmatively I think is very much to be commended.

Mr. HALPERN. Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. St Germain.

Mr. ST GERMAIN. Thank you, Mr. Chairman. I, too, would like to commend our colleague on his statement.

In the arguments presented last week against the legislation, I think there were three main arguments. One was the argument that it would hamper our relations with the Arab nations. Second, that perhaps as a result of this amendment, trade between our American firms and the Arab League or Arab nations would be lessened. And then a third argument was made, and you bring it up in the last page of your statement, about the difficulty in administering the antiboycott amendment.

It seems to me that the amendment is nothing more or less than a prohibition. It prohibits and it will prohibit in the future an American businessman from filling out and answering such a questionnaire or providing the other information that is required, is that not a fact? and basically all this would require of Commerce upon inquiry would be a letter in return saying under this particular amendment to the Export Control Act, you are no longer allowed to fill out this questionnaire. Isn't that what it would do?

Mr. ROOSEVELT. Exactly, and actually I think it is really self-enforcing almost, because it gives a haven to the individual firm, and he will be enforcing it himself, or she will, whoever is running the business.

Mr. ST GERMAIN. You know, Mr. Roosevelt, when I heard that particular argument stated, and you have brought it up in your statement, it brought back to my mind the ARA bill we passed a few years ago, and I think that was much more complicated than this would be, and Commerce took that without any objections. They didn't mention anything about it being difficult to administer, did they?

Mr. ROOSEVELT. I have to say to my friend that if he would like to go over a subject matter that I am about to enter into, which is the amendment to the Fair Labor Standards Act, if he thinks that this is complicated, he should look at that. I think that it is obvious this is very simple, Mr. Chairman. I would propose that if you really want to make it terribly simple, that we perhaps look into the suggested amendments that I have which would eliminate the words "restrictive trade practice." I will leave copies with the committee.

(The suggested amendment referred to follows:)

PROPOSED CHANGES OF ANTI-BOYCOTT AMENDMENT OF THE EXPORT CONTROL ACT OF 1949

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 2 of the Export Control Act of 1949, as amended (50 App. U.S.C. 2022), is amended by adding at the end thereof a new paragraph as follows:

"The Congress further declares that it is the policy of the United States to oppose ~~restrictive trade practices~~ or boycotts ~~fostered or~~ imposed by foreign countries against other countries friendly to the United States."

Sec. 2. Section 3(a) of the Export Control Act of 1949, as amended (50 App. U.S.C. 2023(a)), is amended by adding at the end thereof a new sentence as follows: "Such rules and regulations shall prohibit, in furtherance of the policy set forth in the last paragraph of section 2, the taking of any action ~~or~~, including the furnishing of information of the signing of agreements, by any domestic concern ~~or~~ engaged in the export of articles, materials, or supplies including technical data, from the United States which have the effect of furthering or supporting ~~the restrictive trade practices or~~ boycotts ~~fostered or~~ imposed by any foreign country or groups of countries with the purpose of limiting or preventing another country and a ~~against another~~ country friendly to the United States: *Provided*, That nothing contained in this sentence shall be construed to authorize the imposition of any sanction against any business concern in a country friendly to the United States which is engaged in the export of articles, materials, or supplies, including technical data, to the United States and to any foreign country ~~fostering or~~ imposing such ~~restrictive trade practices or~~ boycotts."

Mr. ROOSEVELT. If there is possibly any part which might make it rather vague, it is those words "restrictive trade practice."

There might be some argument as to what a restrictive trade practice was. On the other hand, if we would eliminate that and simply say that the Congress declares that it is the policy of the United States to oppose boycotts imposed by foreign countries against other countries, friendly to the United States, and then make the other conforming amendments, you have pinned it down to the boycotts and I think you have no problem with it at all.

Mr. ST GERMAIN. I wonder about this. You mentioned the oil companies in your statement, and, of course, a chart was presented by the chairman on the exports and imports with the Arab nations and Israel. As to the imports, would the gentleman by any chance have available to him what percentage of these imports is oil?

Mr. ROOSEVELT. No; but I can secure them for the committee and will be glad to do so.

Mr. ST GERMAIN. I wonder if the chairman would allow the gentleman to submit those figures?

Mr. ASHLEY. Without objection.

(The information referred to follows:)

U.S. DEPARTMENT OF COMMERCE,  
BUSINESS AND DEFENSE SERVICES ADMINISTRATION,  
Washington, D.C., May 24, 1965.

Mr. JOHN SCHUYLER,  
Office of Hon. James Roosevelt, Rayburn House Office Building,  
Washington, D.C.

DEAR MR. SCHUYLER: This is in response to your telephone request of May 21, relative to U.S. imports of foreign crude oil from the Middle East countries.

Since talking with you, I have been able to secure both the quantity and value figures for the year 1964. This will give you complete figures for the years 1961 through 1964. You will notice I have quoted both the quantity and value figures in thousands of barrels and thousands of dollars, respectively, instead of net figures.

I trust the attached chart and data will meet your needs. If there is any further information you may wish, please do not hesitate to call on us.

Sincerely yours,

E. CRAIG WILTON,  
Miscellaneous Metals and Minerals Division.

*U.S. imports of foreign crude oil from Middle East countries*

Country of origin	1961		1962		1963		1964	
	Quantity (barrels in thou- sands)	Value (thou- sands)	Quantity (barrels in thou- sands)	Value (thou- sands)	Quantity (barrels in thou- sands)	Value (thou- sands)	Quantity (barrels in thou- sands)	Value (thou- sands)
Iran.....	21,970	\$38,942	19,142	\$33,379	22,444	\$38,704	24,818	\$43,847
Iraq.....	9,322	20,489	837	1,995	157	358	-----	-----
Kuwait.....	49,651	98,159	43,761	64,557	32,108	60,996	-----	-----
Do.....	1,748	2,398	180	171	-----	-----	23,153	43,770
Arabia:								
Neutral zone <sup>1</sup> .....	12,989	22,985	11,987	22,075	14,831	28,282	21,160	40,650
Qatar <sup>2</sup> .....								
Saudi Arabia.....	24,210	49,946	32,298	61,283	35,129	70,200	37,802	74,178
Total.....	119,890	232,919	108,105	183,460	104,669	198,540	106,933	202,445

<sup>1</sup> Country of shipment (country of origin unknown).

<sup>2</sup> Neutral zone and Qatar, included in import figure for Arabia, in the FT-110 (U.S. imports) and the FT-125 (U.S. imports).

Source: U.S. Department of Commerce, Bureau of the Census (years 1961, 1962, 1963: FT-110, U.S. imports; year 1964: FT-125, U.S. imports).

Mr. ST GERMAIN. Another point that I find rather disillusioning is the attitude of the Commerce Department. I don't know if the gentleman is familiar with this, but when Secretary Connor testified on the extension of the act, he in his statement at one point said that there was only one amendment that he wanted to address himself to and that was on I believe the indefinite extension of the act rather than extending the time served.

Then when I was questioning him, I told him that I was amazed that he had not addressed himself to this particular amendment that we were considering before the subcommittee. And he at that time stated that the Commerce Department had not taken a position. I further asked him if he were not aware of this and was it not the fact that this amendment had been introduced in the last Congress and also as of January of this year, and he at that time said perhaps that was the case, but nevertheless, they had not formed any policy on that or come to any definite decision.

And yet, 1 very short week later, they were in here testifying, last week, in opposition, and I think that the testimony as the gentleman brought out in his statement, was rather weak as far as their arguments are concerned, because if they are going to oppose this amendment—it has been 15 years now—certainly they should be constructive and come in with a solution of their own. It seems to me that they are just—or have been—purposely avoiding this completely. It is like the skeleton they want to keep hidden in the closet. They agree that it is horrible, it is distasteful, and yet they don't want to do anything about it.

Mr. ROOSEVELT. Mr. St Germain, may I just say to my good friend from Rhode Island that I think that it should be noted by the committee that when there is a matter which is of great importance, such as telling the Egyptian Government that we are unhappy about their burning down the John F. Kennedy Library, or that we are unhappy with the statements that have been made regarding aid from the United States, we don't have any question that maybe we will hurt their feeling when we tell them well maybe they won't get any more aid until they change their attitude, and say it publicly.

But here, in what is a relatively, obviously, a relatively minor matter, and used only in a political sense by them, then we suddenly lose our courage and we are suddenly afraid, and there must be obviously some work that is being done about this and therefore they don't want this, but the overall principle is as clear as it can be.

Mr. ST GERMAIN. Once again I would thank the gentleman for his statement and for his comments in answer to the questions.

Mr. ROOSEVELT. Thank you, sir.

Mr. ST GERMAIN. Nothing further, Mr. Chairman.

Mr. ASHLEY. Mr. Mize.

Mr. MIZE. No questions.

Mr. ASHLEY. Mr. Gettys.

Mr. GETTYS. Mr. Roosevelt, did I understand you to say that this amendment is in discord with our foreign policy?

Mr. ROOSEVELT. No. I think the amendment is in accord with our foreign policy. I think unless we adopt this amendment that our present course in allowing this kind of thing to happen is in discord with our well known and well established foreign policy.

Mr. GETTYS. I misunderstood you. That is the reason I wanted the point clarified. Now you say that the intent of this amendment is to help the American businessman. How are we going to help the American businessman by imposing restrictive trade practices on him? And that is what this bill does. This is the only person that this affects, I mean the only person upon whom direct restrictions are placed by this amendment is the American businessman.

Why do you want to restrict the American businessman in trading with whomever he pleases?

Mr. ROOSEVELT. I think the gentleman completely misunderstood the amendment. If he will read it, what we are doing is to remove the restriction upon him.

Mr. GETTYS. I read it.

Mr. ROOSEVELT. We are making it possible for him to deal with everybody.

Mr. GETTYS. As I read it, it says "shall prohibit the taking of any action including the furnishing of information or the signing of agreements by domestic concerns engaged in exports." It seems clear to me the only restrictions placed by this amendment is upon the American businessman.

Mr. ROOSEVELT. I think you should read further though, sir, and you will find that what we do is only to say this:

Where a restriction is being placed through this method upon his freedom of choice.

That is the purpose of the act. That is all that it actually does.

Mr. GETTYS. Show me where it says that. I don't see that.

Mr. ROOSEVELT. I don't have a copy of the bill before me. If I could borrow one, I would be happy to read it to you.

Mr. GETTYS. I am looking at Mr. Halpern's bill.

Mr. ROOSEVELT. I think you will find, sir, if I can read my proposed amendment, it says:

The taking of any action including the furnishing of information of the signing of agreements by any domestic concern engaged in the export of articles—and so forth—

from the United States which have the effect of furthering or supporting boycotts imposed by any foreign country or groups of countries with the purpose of limiting or preventing another country and a country friendly to the United States.

Mr. GETTYS. In other words, you are restricting the American firm from dealing with whomever he chooses?

Mr. ROOSEVELT. No, no; we only tell him that he cannot fill out these questionnaires which would prevent him or any other American concern from doing business, that is any questionnaire imposed upon him by a foreign country or group of countries for the purpose of limiting or preventing the other countries from doing business with them.

Mr. GETTYS. If he wants to meet the requirements of any foreign country, to trade with them, this bill would prevent the American businessman from doing it. If he wants to trade with the Arab States—

Mr. ROOSEVELT. No.

Mr. GETTYS. Then you are saying here he can't do it.

Mr. ROOSEVELT. No, sir.

Mr. GETTYS. Because there is this boycott.

Mr. ROOSEVELT. No; we are only saying that you must not give them information which would prevent you from doing, you or any other American company, from doing business with Israel or West Germany.

Mr. GETTYS. You are restricting the American businessman under this bill though, aren't you?

Mr. ROOSEVELT. No, sir. I think we are freeing them. I think we are now giving them the knowledge that they no longer can be blackmailed.

Mr. GETTYS. Well, suppose I am an American businessman. Right now I can trade with whomever I please.

Mr. ROOSEVELT. No, you can't; oh, no, you can't.

Mr. GETTYS. Yes, in accordance with the established foreign policy of the United States as promulgated by the administration.

Mr. ROOSEVELT. But that isn't the way it has worked as you know. That is what we are protesting against, because we have allowed the Arab country to come in and say to you, "You will fill out this questionnaire, and you will fill it out in a way which is satisfactory to us, and if it is not, we will not do business with you, if it is proven through this questionnaire that you are doing business with Israel."

In other words, we are allowing that foreign country to come in and prevent you from doing business with Israel.

Mr. GETTYS. I know, but there are two sides to this coin, though. You are citing just one instance. Now, you like Nasser better than I do.

Mr. ROOSEVELT. Well, I hope I don't. I would like that taken out of the record.

Mr. ASHLEY. You haven't shown any indication of that.

Mr. GETTYS. But it seems to me like you are asking this committee to get into a matter of foreign policy which is within the prerogatives under the Constitution of the United States of the administration, the executive branch. I still can't understand why this question, this amendment is brought to this particular bill here.

Mr. ROOSEVELT. For a very simple reason. It deals with the question of exports. These companies are in the business of exporting. The present policies of inaction by the administration, or for that matter not just this administration but by the executive branch has resulted in individual American firms not being able to do business, and it is true that up to now the case evidence has to do primarily with Israel. But we know that it can overnight be extended to West Germany, for instance. We know it could be extended to anybody else. And, therefore, the time to act is not when the disease has spread. The time to act is now, to prevent the freedom of choice of American business not to be blackmailed by any outside country from doing business with any country that that American business firm wants to do business with.

Mr. GETTYS. In other words, your amendment says we don't agree with the administration's foreign policy.

Mr. ROOSEVELT. With the executive branch, sir, I would rather say because it is not this administration alone.

Mr. GETTYS. And, therefore, you want the Banking and Currency Committee, the trade committee, to establish foreign policy. I just can't go along with that, regardless of the merits of the amendment.

I don't think this is the proper place to argue this question. It has to do with foreign policy and I think it ought to be taken through the regular established channels to establish foreign policy of the United States.

Mr. ROOSEVELT. Would the gentleman say that it is not the right of Congress, where they see American business people being hurt by an application of foreign policy by the executive branch, that it is not the right of Congress to instruct by specific legislation and by specific measure the executive branch to take action to protect American business?

Mr. GETTYS. I think to declare the sense of Congress is a very proper thing.

Mr. ROOSEVELT. Not the sense of Congress, sir.

Mr. GETTYS. To direct the President to take such actions I don't think is constitutional.

Mr. ROOSEVELT. Do you think we should abolish the Tariff Act?

Mr. GETTYS. Do what?

Mr. ROOSEVELT. Should we abolish the Tariff Act? We definitely come and tell people—

Mr. GETTYS. These are recommendations.

Mr. ROOSEVELT. No; they have been more than recommendations. At times they have been very specific, and they have been within limitations.

Mr. GETTYS. I think what you ought to do, I am not saying that you have a bad idea here or a good one, but I am saying this: that it looks to me like you are trying to convince the wrong people.

Mr. ROOSEVELT. I have tried to convince the executive but when I can't convince the executive I have to go back to the Congress.

Mr. GETTYS. To adopt your idea on the administration of foreign policy.

Mr. ROOSEVELT. Can I just say to the gentleman that I think if he had tried as long and as hard as I have, and I think others on your committee have tried as long and as hard as we have to get a change in this, he would finally come back to what I believe is the right of the Congress. When the executive branch is not performing its duty of protecting the American businessman, that then we must assert that right and go forward with it.

Mr. GETTYS. Would you have testimony by them that they are not?

Do they agree with you that they are not performing their duty by the American businessman?

Mr. ROOSEVELT. I think they have indicated by their testimony that they are against the boycott, but they have also indicated by their testimony, by other testimony which is being presented to the committee, that they have not been able to do anything about it.

Mr. GETTYS. But do they agree they do not agree that it is hurting the American businessman?

Mr. ROOSEVELT. They do not, sir.

Mr. GETTYS. I haven't heard any testimony from Commerce or other executive officials that it is hurting the American businessman.

Mr. ROOSEVELT. You will hear from the American businessman himself. Isn't that better?

Mr. GETTYS. I am waiting to hear from him.

Mr. ROOSEVELT. I understand Mr. Chairman that they are to appear before you?

Mr. GETTYS. This is not the proper forum it seems to me to present this amendment or the idea. I could be wrong. Maybe we are taught law differently in South Carolina than you are in California.

Mr. HALPERN. Will the gentleman yield for just one point? I will be very brief. I asked the representative of the Department of Commerce, Mr. Giles, when he appeared here last week, if he didn't agree with me that this was not a matter of foreign policy, that this was purely a question of U.S. commercial policy. He agreed with me, and I think it is very important to make that point, since our colleague seems to constantly refer to the fact that this is foreign policy and should not be a prerogative of the Congress.

Even the Department of Commerce representatives admitted this is commercial policy.

Mr. ASHLEY. Senator Javits didn't admit that.

Mr. HALPERN. I think you are taking out of context what Senator Javits said. He did take the position in answer to my direct question that it was not foreign policy. You are referring to his statement that this is a political matter as far as Israel and the Arab States are concerned. We don't deny that. And, of course, we know we cannot legislate regarding their own policy affecting their own nationals, but we certainly can legislate as far as American business is concerned, and that is just what this bill is doing.

Mr. GETTYS. I would say to my colleague I feel Senator Javits answered me directly that it was a matter of foreign policy. At least that was my understanding. Mr. Roosevelt has in our exchange admitted it is foreign policy but said that the administration is not administering this in accordance with its own foreign policy.

Mr. ROOSEVELT. Would the gentleman yield?

Mr. HALPERN. I think Mr. Roosevelt meant that it is foreign policy for the United States to advocate free trade among the free nations of the world. I believe you are taking any other interpretation out of the context of what Mr. Roosevelt meant.

Mr. ROOSEVELT. Let me very positively say that after all foreign policy is not only exercised by the State Department. Foreign policy is also exercised by the Department of Commerce.

Mr. GETTYS. Yes.

Mr. ROOSEVELT. And when a bill comes up to the Congress that deals with foreign commerce, as obviously export control must deal with foreign commerce, it comes to this committee. It is assigned by the parliamentarian. This is the place where it belongs.

Mr. GETTYS. Yes but we have also got involved in this particular question arguments between two other nations of the world, too, or a group of nations, in which we want as a nation, as I understand it, to stay out of it.

Mr. ROOSEVELT. I agree with you, and I am trying to get you to stay out of it, sir. Now we are in it. We are being used by one side. Let's not be used by either side.

Mr. GETTYS. That is a good matter to be determined by the executive branch, I think.

Mr. ROOSEVELT. I think it is an equally good matter to be determined by the Congress, sir.

Mr. ASHLEY. Mr. Cabell.

Mr. CABELL. No questions, thank you.

Mr. ASHLEY. Mr. McGrath.

Mr. McGRATH. I have one short question, Mr. Chairman, and I also commend the gentleman from California. He is much more knowledgeable about this problem than I am.

I am curious. Are there any domestic antitrust ramifications from the fact that American companies, I suppose some of them are competitors, have filed these questionnaires with the Arab League? I don't know just what kind of questions they are asking on the questionnaire, but it is easy for me to imagine some questions that might have an anticompetitive effect. Has that ever been looked into, to your knowledge, sir?

Mr. ROOSEVELT. Let me just, if I may, say to the gentleman that I am sure that if this general kind of thing were to be done domestically, for instance, it would violate the antitrust laws without any question.

It would be a restraint of trade, very clearly. And in answering these questions as to whether it raises those problems, frankly, I think Mr. Celler is more of an expert in this field than I am. I am not on the Judiciary Committee, and I would not think that I was an authority in that area. But I think no one would deny, the Secretary of Commerce, the Under Secretary of State or anybody else, that what is being done here is an attempt to restrict trade, and we have always said that any conspiracy to restrict trade in the United States is wrong, and if it is wrong here as an American principle, why should we let somebody else come in from the outside and impose it upon American firms?

Mr. GETTYS. Would the gentleman yield.

Mr. McGRATH. Certainly.

Mr. GETTYS. Do we have the right, does the United States have the right to control the trade policies of every country in the world?

Mr. ROOSEVELT. No, sir.

Mr. GETTYS. We have the right within the States but can we get into the internal workings of the trade practices of every country in the world? We don't have that right, that duty, or obligation.

Mr. ROOSEVELT. If the gentleman will look at some of the things that are being done in various areas, I would think that it is pretty well established that we do do it, when we think it protects American firms against an injustice.

Mr. GETTYS. Now you are getting into a different matter there, a different matter entirely.

Mr. ROOSEVELT. That is the whole thing here, an injustice is being done to American firms. I think we have a duty to protect them.

Mr. GETTYS. There is a different connotation there. This is strictly I think a matter—I am not defending the Arab countries but I believe they have got a right to establish whatever trade policies they want within their own country, just like we do.

Mr. ROOSEVELT. But let me state the difference. I would have no objection, and I don't think you would, from what you have said, if they just decided that they didn't want to allow any imports from the United States. That would be clearly their right. I would deplore it, and I don't think it will ever happen because it is in their best interests not to do that, but when they turn around to us and simply

say "Now we want to go further and we will say to you that you cannot do business with a third country," that is interfering with our right.

Mr. GETTYS. That is when I say let's quit doing business with the Arabs. I wouldn't do business with them.

Mr. ROOSEVELT. If you go that distance, then don't let them tell you that we can't do business with Israel or West Germany or some country in Africa or anybody else.

Mr. GETTYS. You can't tell me I can't do business with Israel.

Mr. ROOSEVELT. Not under this.

Mr. GETTYS. They say if you do business with Israel, isn't that correct?

Mr. ROOSEVELT. That is exactly it.

Mr. GETTYS. I say I am going to do business with Israel and I am not going to do business with you. I think if we quit trading with them, they would come around quickly, if the American businessman refused to trade with them. That is when the Arabs would start coming around quick, if we quit sending Nasser a bunch of money and he tells us to jump in the ocean, that is when he will quit talking that way, when we quit sending the money.

Mr. ROOSEVELT. The gentleman is a little more radical than I am, but I just have to say to the gentleman I would rather take this step first and see if it won't be effective.

Mr. McGRATH. I have no further questions, thank you.

Mr. ASHLEY. The operative part of this amendment as distinct from the policy part of the amendment would prohibit action being taken by an American business concern which would have the effect of supporting restrictive trade practices or boycotts fostered or employed by any foreign country against another country friendly to the United States. It would prohibit any action which would have the effect of furthering or supporting the boycott.

Who makes that determination?

Mr. ROOSEVELT. In each instance I think it would be the individual company that would raise the question. If they refused to give it and they wanted assurance that this was an action of this kind, they would get that information naturally from the Department of Commerce, and I see no difficulty in providing them with it.

In other words, if they were going to use this act as a reason for not complying with this demand, then they would simply have to call the Department of Commerce and say "Is my refusal justified under this law."

Mr. ASHLEY. Wouldn't it be true that with this language, particularly "any action," would include a decision on the part of the American business concern when and if faced with the choice of doing business either with an Arab country or Israel, from making that decision?

In other words, wouldn't the very act of deciding be prohibited under the language of your amendment?

Mr. ROOSEVELT. Well, I would say, Mr. Chairman, that that is a refinement which if you feel strongly about I think perhaps you and your colleagues can decide as to the necessity of changing it. But my own feeling is that the important words there are "furnishing of information or the signing of agreements by any domestic concern" and so forth. If you feel that it is too broad to say any action.

Mr. ASHLEY. "Any action" goes much further than simply the furnishing of information, because under the language—

Mr. ROOSEVELT. The signing of agreements. Any boycott to be enforceable I think we must recognize that the method used has been the forcing of the furnishing of information, and then the signing of an agreement, in order that it be clearly enforceable. If in your good judgment you decide that what obviously we are seeking to do here can be done with less confusion by changing the words "any action" I would like to see the words "or such actions" so that we won't be too much restricted if they do think up some little gimmick that isn't the signing of an agreement or the furnishing of information which we haven't thought of.

But in general I think that the meaning is clear, and if you worried about it, I would certainly believe we could reach an agreement on it very easily.

Mr. ASHLEY. My concern goes to the point that I brought up some months ago.

In my earlier questioning. It would seem to me that if this amendment is adopted, it would be perfectly possible if the Arab league chooses to persist in its efforts to boycott Israel, simply to present themselves to the American businessman and say:

"If you want to do business with us, you cannot do business with Israel." If the American businessman—well, let me say this. Under this language, the American businessman would be prohibited from choosing in favor of doing business in the Arab countries, because that would be an act supporting a restrictive trade practice or boycott, that act of deciding would be an action having the effect of furthering or supporting restrictive trade practices.

Mr. ROOSEVELT. If it was put to him in the form of a threat, Mr. Chairman, "We won't do business with you if we find you doing any business with Israel"—

Mr. ASHLEY. Not a threat, a choice.

Mr. ROOSEVELT. It gives him a choice which is a threat. In other words he has got to be able to show that this company is doing business that way.

Mr. ASHLEY. But isn't it true the choice is not prohibited? You can't prohibit the Arab league from posing the choice. What you can do is to say to the American businessman, "You are banned from making this decision." Isn't that what you are doing—

Mr. ROOSEVELT. I don't believe so, Mr. Chairman. I think that any American businessman can judge the situation. He can know that the Arab countries, if it becomes public knowledge through any number of ways or means of acquiring it that he is going to get less business from this source than he is from this source, and he has to make his own judgment. But at least he isn't in the position of being forced, as he is today, to not only give information but to actually sign agreements. That is their decision on the other side, but why should he have to be forced into the position of actually helping the enforcement of an act against himself, against his choice? He has that choice at any time, and he shouldn't be forced—I mean he should have that choice, and he shouldn't be forced by the signing of agreements or by any other act which tends in that direction, and if there is any implication that he doesn't have the right at any time to choose to do

business just with the Arabs and not with the Israelis, that certainly is not intended. That is his choice at the present time.

Mr. ASHLEY. It seems to me that, under the language of your amendment, the effect would be to prohibit any American business concern from doing business with an Arab country if that Arab country or the Arab union insisted on the American businessman making a choice between doing business in—with the Arab league or Israel.

Mr. ROOSEVELT. I think you have raised a very good point. Obviously this is still a restraint of trade. We are allowing a foreign government to say to us that they may come in here and, as a part of doing business with us, say that, "If you want to do business with us you are prohibited from doing business with other people." Now what kind of a country would put up with that for very long? That is an indignity which I don't believe we would ask anybody to put up with, and our Government should certainly take steps, and if the executive branch doesn't do it, then I say the Congress has to do it.

The executive branch hasn't found ways to do it. As you have put it, I would think it would apply that way, and I would hope it would, when it was put in that—those blunt terms. But I think if the other person simply comes in and says: "You know, we are at war with Israel, and if you want to continue to do business with them, of course, that is your right. We can't stop that in any way. But obviously we are only going to do the minimum amount of business we can with you."

But when they come in and say: "We will do no business with you because we don't want you to do any business with Israel," that is an entirely different matter. That is removing the choice.

Mr. ASHLEY. I simply think that, because of the emphasis that has been put upon the furnishing of information, that it is worthy of note—and I must say that I expect the gentleman will agree with me—it is worthy of note that the prohibition here is not against the furnishing of information alone. It is against doing business with an Arab country if faced with a choice of either doing business with an Arab country or Israel, that is the real import, it seems to me.

Mr. ROOSEVELT. If faced with a threat?

Mr. ASHLEY. A choice.

Mr. ROOSEVELT. That is right, and I think you could make it very clear in the report of the committee that it is not intended that an American company shall not have the choice to do business with one side or the other side. That is up to them. But that they are prohibited from doing it, when the choice is put to them by the other country in a form of, "we prohibit you from doing business with another country if you want to do business with us."

That is supporting the boycott.

Mr. ASHLEY. Let me ask you this: Why do you bother with this language about furnishing of the information? That is all absolutely beside the point. Once you admit that the real thrust of this is to prohibit American concerns from doing business with the Arab countries, if faced with the choice—

Mr. ROOSEVELT. If it helps the boycott.

Mr. ASHLEY. Yes, but if that is the purport of the amendment as we agree it is, then the prohibition against the furnishing of information is absolutely academic.

Mr. MIZE. It is academic.

Mr. ROOSEVELT. It isn't really academic because when you know the method by which the boycott is being enforced, you are very timid if you don't name it so as to expose it and illustrate how it is being done. You can't name all because you don't know what other ways might be taken. But you do know that this is the specific manner in which it is now being exploited, and therefore I think it strengthens it to simply say: "Look, we know what you are doing, and this is in effect it," but you don't weaken it by saying if you think of something else we have it in the act by words or any act, so that if they think of something else it will have been taken care of by this amendment.

Mr. ASHLEY. I think your legislative purpose would be strengthened if you put the prohibition on the doing of business, rather than the furnishing of information or the signing of agreements.

Mr. ROOSEVELT. Let me be the last one not to urge you to strengthen it.

Mr. ASHLEY. Any other questions? If not, we thank you very much indeed for your appearance.

Mr. ROOSEVELT. Thank you, sir.

Mr. ASHLEY. And for your valuable testimony. The subcommittee will stand adjourned until tomorrow at 10 o'clock.

(Whereupon, at 2:10 p.m., the subcommittee was adjourned, to reconvene at 10 a.m., Friday, May 21, 1965.)

**CONTINUATION OF AUTHORITY FOR REGULATION OF  
EXPORTS  
and  
AMENDING THE EXPORT CONTROL ACT OF 1949**

**FRIDAY, MAY 21, 1965**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON INTERNATIONAL TRADE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Thomas L. Ashley (chairman of the subcommittee) presiding.

Present: Representatives Ashley, St Germain, Gettys, Cabell, McGrath, Halpern, and Mize.

Also present: Representative Dwyer of the full committee.

Mr. ASHLEY. The committee will come to order.

The Subcommittee on International Trade, meeting this morning, is for the purpose of eliciting further testimony on H.R. 7105, a bill to provide for continuation of authority for regulation of exports and for other purposes.

The statements of five Members of the House, the Honorable John Lindsay, Charles S. Joelson, Paul J. Krebs, Frank Horton, and Jacob H. Gilbert, will appear in the permanent record following those of the other Members of Congress who have testified, the testimony of Congressman Roosevelt of California.

(The statements referred to follow:)

STATEMENT OF HON. JOHN V. LINDSAY, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW YORK

Last February I introduced a bill which would put Congress on record as opposing boycotts by foreign countries against nations friendly to the United States. When an attempt is made to black-mail American companies into participating in such a boycott, it is time for us to do something.

The State Department's failure to take appropriate action really leaves the Congress with no alternative but to take the initiative. It seems to me that we must strengthen the hand of our companies by prohibiting them from engaging in such practices and thus assist them in resisting the demands which are being made on them.

The problem is, of course, in large measure a problem of the Middle East. There certain Arab leaders persist in a policy of belligerence and international blackmail.

The sooner it is clearly understood that the United States will have no part of this conduct and that this country is determined to aid the reestablishment of normal relations in the Middle East, the sooner will there be an end to the current nonsense.

STATEMENT OF HON. CHARLES S. JOELSON, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Chairman, I wish to urge the adoption of provisions which will effectively protect American businessmen against participation in the Arab boycott of Israel. I believe that the Williams-Javits bill, a companion measure to which I have introduced in the U.S. House of Representatives, will do the job.

It is the stated policy of our Government to promote trade and encourage exports and anything inimical to such policy should be removed. Furthermore, we must protect American businessmen against pressures and harassment which will discourage trade.

The State Department, in its usual diplomatic terms, has characterized the Arab boycott as "regrettable" and "unfortunate." Not being so polite, I characterize it as "reprehensible blackmail on American business."

Concern has been expressed by some members of this subcommittee that the enactment of the proposed amendments to the Export Control Act would result in the Arab States terminating their trade with the United States. I would remind those who have such misgivings that we still sell wheat to the Arab nations under Public Law 480. The Arab States would not be so foolish as to deprive themselves of the benefits of Public Law 480 by terminating trade with the United States.

Some members of the subcommittee have also expressed concern that, by the enactment of the proposed amendment to the Export Control Act, we would be favoring one "friendly" nation as against another. The word "friendly" is hardly applicable to the United Arab Republic which is cuddling up to the Soviet Union, disrupting peace-keeping activity in the Congo, and whose leader has invited the United States to "jump in the ocean."

At any rate, the proposed amendment would not favor one nation as against another but, rather, would insure neutrality so that American business would be free to trade with both Israel and the United Arab Republic.

STATEMENT OF HON. PAUL J. KREBS, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW JERSEY

I want to take this opportunity of thanking Chairman Ashley and the other members of this subcommittee for the time and effort being devoted to legislation concerning our Nation's export policy and machinery.

I am appearing before this subcommittee as a sponsor of H.R. 4364, one of the bills which would amend the Export Control Act of 1949. My bill is one of several House bills introduced to afford American business and investors the protection of their Government in dealing with boycotts by nations with which our Government maintains friendly relations. Its most immediate effect would be on the Arab

boycott that has been maintained against Israel during the past several years.

There are, of course, those who maintain that the boycott, aimed at private American business dealings with Israel, is inoffensive because it has not been entirely successful in drying up trade with Israel and that adoption of measures against the boycott would harm our Government's friendly relations with one of the parties to the dispute. But I maintain that to leave Americans at the mercy of such a boycott is an empty gesture of good will to a nation that will merely shout in louder denunciation of the free-trade principles which our Government has sought to foster in recent decades.

It is generally recognized that our Government has maintained an attitude of friendliness not only to the State of Israel but to the Arab nations as well. And I am therefore confident that enactment of legislation such as mine would not be necessarily construed as an unfriendly act to those nations participating in the boycott against Israel. Our Government must make its position undoubtedly clear by enacting an amendment that will nullify effects of a boycott against Americans not only by current detractors but by any other nation that would attempt to place obstacles among trading nations friendly to our Government.

I understand that one source, the business international, has placed the number of American firms affected by the boycott at over 150. At a time when the administration, and indeed Congress, is courageously trying to deal with the so-called gold drain, it would appear that these 150 or more firms would be afforded an opportunity of selling American goods abroad which would have the effect of reducing foreign-held claims to American gold.

It is not enough to say that adoption of this amendment would somehow have a pragmatic effect on our own Government's economic denial programs against such countries as Red China, Cuba, and North Vietnam. There should be no doubt that our country's foreign policy is one of encouragement for trade among friendly nations. Both Israel and Egypt are nations with which we maintain friendly relations. Adoption of this amendment would merely remove any shadow of doubt about our Government's position and at the same time would strengthen the practical application of our stated objectives of free trade among our friends. This amendment would prohibit American firms from supplying the information demanded by a boycotting nation and would therefore place all of our American firms on equal footing. None would have to kowtow for fear of alienating prospective markets. All would be equally defended in their inability to cooperate in a scheme to disrupt the American Government's policy of encouraging trade among nations friendly to our country.

The possibility that less reliable information would be used against American firms would indicate a weakness in our Government's adherence to principle, and I for one cannot agree that since blackmail may be continued under a sloppier fashion we should hence withdraw from attempts at ending the despicable practice.

Regardless of how one looks at this obnoxious boycott against Israel, it is a challenge to our Government's determination. We must continue to widen trade among nations of the world. We cannot do less than insist on it among our friends.

STATEMENT OF HON. FRANK J. HORTON, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I want to express my appreciation to you and the members of your subcommittee for this opportunity to present my views supporting H.R. 7863 to amend the Export Control Act of 1949. This amendment is a proposal for the protection of American business by the opposition to restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States.

It is certainly true that American exporters are not immune to the effects of restrictive measures placed on the trade of countries with which the United States maintains friendly relations. The fear evolving from the Arab demands in connection with Israel trade is the example which this legislation is introduced to correct. The central Arab boycott does not only serve to restrict Israel trade, it affects all companies engaged in business in any manner with Israel; thus, it affects businesses of our country by inflicting restrictions, pressures, and threats. The restrictions are on the trade of our business firms. The pressures are created by questionnaires which companies must complete, information from which can be used to blacklist them. And, the threats are not only of placement on such a list, but also of the extinction of our right to trade freely with countries with which we are friendly.

To continue to recognize such a boycott is to recognize the strife between Arab States and Israel, of which it is a product. Also, it represents continuing acceptance of the methods it employs—interrogation, pressures, threats. Most important, failure to immunize American businesses from such restrictive trade practices and boycotts would be a failure to protect their rights.

Thus, for the protection of the rights of U.S. citizens and for the protection of our entire system of international commerce, I urge your most careful consideration of the proposed amendments to the Export Control Act.

STATEMENT OF HON. JACOB H. GILBERT, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, thank you for this opportunity to address the committee in support of my bill, H.R. 6823, and similar proposals, to amend the Export Control Act by opposing restrictive trade practices or boycotts imposed by foreign countries against other countries friendly to the United States.

Our proposed antiboycott legislation clearly is designed to protect American exporters from trade restrictions and boycotts arising from disputes among third countries with whom the United States maintains friendly relations. The proposal is aimed specifically at the Arab boycott which establishes special conditions for trading, by interrogation or threat. American companies active in Middle East commerce have been subjected to practices which would be considered irregular in the normal course of international trade. These practices include various processes of interrogation, unusual requirements for affidavits and certification of commercial invoices, and outright

threats. Some American firms have rejected these practices. But unfortunately, others have complied. Still other American companies have either curtailed their Middle East trade, or have hesitated fully to exploit potential Middle East markets for their products and services.

American firms have been victimized by this practice; our amendment would assist them to defy the intimidation of the Arab boycott. There is nothing unusual about a government attempting to protect its businessmen from inquiries of foreign governments. Our proposal would build a "legislative wall" behind which the besieged U.S. businessmen could take up a position when boycott pressure is used, and it could provide a basis for governments to refuse to furnish such information and to forbid other nationals to do so.

This agreement among Arab nations to boycott Israel, Israeli goods and all companies engaged in business arrangements, direct or indirect, with Israel, has existed for 15 years, and during these 15 years the Arabs have tried to involve third parties, like American businessmen, in their economic war against Israel.

To coordinate this activity, the Arab countries created the Central Arab Boycott of Israel Office, located in Syria. This office continues to wage a war of pressure on foreign companies that do business in the Arab world and to prevent their doing business with Israel. It has demanded from American businessmen answers to a detailed questionnaire relating to their commercial trade and practices; this information is used then to determine whether the company goes on the "black list." When our companies have refused to yield to this blackmail, they have been denied a market in the entire Arab world. They should not be made to suffer such economic discrimination.

Listen to this boycott list of reasons for blacklisting a foreign firm: maintaining main or branch factories in Israel; maintaining assembly facilities in Israel; maintaining general or main offices for Near East operations in Israel; letting Israel companies use your name or trademark; holding shares in Israel companies; maintaining know-how agreements with Israel; not answering the boycott questionnaire; representing an Israel company; promoting or selling products made in Israel; belonging to oversea Israeli chambers of commerce.

The Arab boycott has obstructed foreign investment in Israel. It has succeeded in making Arab-Israel peace more remote. The Arabs will not admit that they are hurt by their insistence on a state of war with Israel; the Israelis do admit it; they want and need peace. The boycott impedes logical trade relationships between Israel and the Arab States, slowing Arab economic development and endangering Israel's economic security. The boycott prohibits free transit of people and literature. It discourages the exchange of ideas, breeds fear and distrust, and widens the gap for compromise and peaceful existence on both sides.

The Democratic and Republican platforms of 1960 pledged action against the Arab boycott and that year Congress adopted an amendment to our foreign aid program which provided that aid should be withheld from any country which persisted in boycotts and blockades. The amendment was supported by President Johnson and the late President Kennedy, both then Members of the Senate. It was adopted over opposition of the State Department, which feared, as today, that such legislation would be counterproductive.

It seems that everyone deplors the Arab boycott, but unfortunately the administration expresses concern over restrictive trade practices and boycotts between countries which are friendly to us; but opposes our amendment on the ground that it would weaken American effort to enlist other governments in our program of economic denial against Communist China, Cuba, North Vietnam, and North Korea, and on the grounds that it would challenge the Arab States to intensify their boycott rather than end it.

Yielding to blackmail, and cooperation with blackmailers, only makes it more difficult to extricate oneself. West Germany delayed far too long and as a result when she did recognize Israel, 10 Arab States retaliated by "breaking relations." On the outset, Nasser threatened that he would recognize Communist East Germany if Bonn recognized Israel. But only 2 of the other 12 Arab States were willing to follow him, and Nasser had to back down.

The Arab boycott is directed at businessmen all over the world. There is nothing to stop them from such activities on their own soil; but conduct of Arab economic warfare on American soil should not be tolerated. By refusing to comply with boycott demands, small American business firms would have a Government export regulation to protect them if our amendment is approved. It would immunize American exporters of goods from involvement in foreign boycotts; it would protect our legitimate American business interests in foreign markets. It would contribute to export expansion and trade promotion and would assert our determination and intention to trade where we wish and in markets where there is demand for our American goods and services.

A united front of defiance would cut down the deceit and the distrust which the boycott has bred. We might ask: How can the vulnerable businessman defy the boycott when the most powerful government in the world, which should be his protector, does not protect him? The State Department, which is the logical agency to consult when there is threat from a foreign government, has failed to act forcefully to defend U.S. businessmen.

There is an erroneous notion that the U.S. practices trade restrictions similar to this boycott with respect to Communist countries. In our export regulations we control the utilization of only American products and resources. We do not presume to unilaterally control products originating in a third country. This is contrary to America's sense of "fairplay" in world trade. In the amendment before us, we seek fairplay and government protection for our American companies operating overseas. The purpose of the antiboycott legislation is to neutralize the effect in the United States of the Arab boycott and any comparable restrictions that may originate elsewhere on American firms by blocking the sources of information on which the restrictive practices thrive. The provisions of the bill afford a measure of Government protection to companies who desire to invoke it.

The restrictive remedy in the antiboycott legislation would provide equal treatment for all American companies. Some American firms, because of their stature, resources, or strong competitive position, are able independently to resist Arab boycott pressures. However, there are other U.S. companies who consider themselves in a less favorable competitive position, and who therefore feel compelled to comply with requests for information from the Arab boycott organization.

Our Government should establish its opposition to this harassment and pressure against American firms and oppose any such trade prac-

tices which are designed to intimidate countries friendly to the United States.

Passage of this important piece of legislation will provide long overdue protection to American firms engaged in foreign commerce. I strongly commend it to you for your favorable consideration.

Thank you, Mr. Chairman and members of the committee.

Mr. ASHLEY. Our first witness this morning is Mr. Irving Fain, of Providence, R.I. I would ask our good associate colleague, Mr. St Germain, if he would be good enough to introduce Mr. Fain.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

I appreciate this opportunity. In view of the fact that as Mr. Fain's introductory paragraph states, he is a lifelong resident of Providence, R.I., and I would say that Providence and Rhode Island are the beneficiaries of his being, since he has contributed a great deal to our community and our State over the years. Mr. Fain is engaged in a number of businesses, many of which are on the international level and I am certain that his testimony here this morning will contribute a great deal to our knowledge of what the businessman is exposed to and the import of this particular boycott. It is with a great deal of pleasure that I do welcome our friend and constituent to the committee hearings.

Mr. FAIN. Thank you, Mr. St Germain, for your introduction.

Thank you, Mr. Chairman.

Mr. ASHLEY. Mr. Fain, we may as well fill out the panel that will be testifying, so before you begin your testimony, if we may, we will call on our colleague, Congressman Cabell, from Texas, to introduce his constituent.

Mr. CABELL. Thank you, Mr. Chairman.

It is my extreme pleasure to present to this subcommittee a very dear constituent of mine from Dallas, Tex., Miss Eva Bramlette, who with her late sister built a very nice import business and wholesale business in our southwestern market.

Miss Bramlette.

Mr. ASHLEY. Also as members of the panel are a number of distinguished personages. My good friend, Mr. Maxwell Rabb, formerly official of the previous administration; Mr. Parke W. W. Masters, Mr. Edward Dreyer, Mr. James J. A. Gallagher, Mr. Robert W. Armstrong—

Mr. FLAGG. My name is Flagg. I am representing Mr. Armstrong—Frank D. Flagg.

Mr. ASHLEY. Mr. Harold Glasser, Mr. Aaron W. Weinstein, Mr. Joe Jacobson, and Mr. William A. Shea.

Mr. GALLAGHER. Mr. Shea will not be here this morning, Mr. Chairman. I am appearing in his stead.

Mr. ASHLEY. Thank you, Mr. Gallagher.

#### STATEMENT OF IRVING JAY FAIN, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

Mr. ASHLEY. Mr. Fain, we are happy to have you and the others on this distinguished panel and the testimony you will give before this committee.

Do I understand, Mr. Fain, that you have a prepared statement?

Mr. FAIN. Yes, Mr. Chairman, I have a prepared statement and with your permission, I would like to file it for the record which will permit me to speak more informally and to respond to questions.

Mr. ASHLEY. That is fine. It will be received for the record.

Mr. FAIN. As Mr. St Germain has said, I am a businessman. I have been in business for 38 years, a good deal of it in international trade. My representation here is in behalf of the American Israel Public Affairs Committee, which is a national organization devoted to improving the relations between the United States and the country of Israel.

This organization has gone on record officially in favor of these pending bills through a letter from Rabbi Joachim Prinz, who is the acting president of the Conference of Presidents of Major American Jewish Organizations. This includes 20 of the large national Jewish organizations of all types, secular and religious. With your permission, Mr. Chairman, I would like to submit for the record a copy of the letter which Rabbi Prinz has sent, together with a type-written list of the 20 national organizations for which he was speaking.

Mr. ASHLEY. We will be happy to have that in the record.

(The documents referred to follow:)

CONFERENCE OF PRESIDENTS OF MAJOR AMERICAN JEWISH ORGANIZATIONS,  
New York, N.Y., May 12, 1965.

Memorandum to: Members associated in the President's Conference.

From: Yehuda Hellman.

Please be informed that on April 28, Rabbi Joachim Prinz has sent the attached letter to—

1. Representative Wright Patman, chairman, House Banking and Currency Committee, House Office Building, Washington, D.C.
2. Senator A. Willis Robertson, chairman, Senate Banking and Currency Committee, New Senate Office Building, Washington, D.C.

APRIL 28, 1965.

DEAR SENATOR (OR REPRESENTATIVE): On behalf of the Conference of Presidents of Major American Jewish Organizations, I wish to express our unqualified endorsement of the proposed antiboycott legislation (S. 948) (H.R. 627 and companion bills) now pending before your committee.

We are convinced that the legislation will contribute effectively to the protection of American business firms from the restrictive effects of foreign boycotts.

We understand that hearings on the legislation are tentatively scheduled for the month of May. We request that our position on the legislation be made part of the permanent record.

Sincerely yours,

JOACHIM PRINZ.

CONFERENCE OF PRESIDENTS OF MAJOR AMERICAN JEWISH ORGANIZATIONS

American Israel Public Affairs Committee.  
American Jewish Congress.  
American Zionist Council.  
American Trade Union Council for Histadrut.  
B'nai B'rith.  
Central Conference of American Rabbis.  
Hadassah.  
Jewish Agency for Israel-American Section.  
Jewish Labor Committee.  
Jewish War Veterans of the United States of America.  
Labor Zionist Movement.  
Mizrachi-Hapoel Hamizrachi.  
National Community Relations Advisory Council.  
National Council of Jewish Women.  
National Council of Young Israel.  
Rabbinical Assembly.  
Union of Orthodox Jewish Congregations of America.  
Union of American Hebrew Congregations.  
United Synagogue of America.  
Zionist Organization of America.

Mr. FAIN. Please do not be surprised if I begin my testimony not by talking directly to the matter of a trade boycott imposed by a second foreign country against a third foreign country. But let me start with what seems to be a strange hypothetical situation. Suppose American business firms who are engaged in international trade were to begin receiving letters either from the government or from business firms in the Union of South Africa with questions which I shall now read:

Do you have any nonwhite employees in your company? If so, how many and what are the positions held by them?

Are there any nonwhites on your board of directors as members?

Are any of your managers or branch managers nonwhites? If so, please give the name of the department headed by such a man.

Is any of the persons authorized to sign on behalf of your company a nonwhite?

What is the number of nonwhite laborers in your factories and offices?

Do you have any nonwhite owners?

Well, we can imagine what American businessmen would feel upon receiving this. Some of them who went to the agencies of our Government for response would probably be told to respond very simply that the laws of the State of Rhode Island, for example, and of the United States just prohibit any activity that is discriminatory on the basis of race, color, religion or national origin and that certainly the names of stockholders are not necessarily public record and if they were, they are not identified by skin color or religion.

This sounds like an extreme example, Mr. Chairman and members of the committee, but actually, this is a practically verbatim transcript of a letter which has been sent out to firms in Europe and which, until recently, has been sent out to firms in the United States. The one difference is that the original letter uses the word "Jews" and I have substituted the word "nonwhites."

Let me take another example not connected to the boycott. It concerns a friendly country, the Philippines. About a month ago, the Philippine Government, by official action, began asking American shippers of goods to the Philippines to supply to the Philippines a copy of a document which is very common in international trade in this country, a U.S. Government document called the Shippers Export Declaration. This is it, Mr. Chairman and members of the committee. It is form 7525-V and in the upper right-hand corner is "confidential." On this are given the usual facts of the transaction, the quantity, the description and the price, filed with the U.S. customs. When the American shippers began receiving requests for this document, for authenticated copies of this document, and being able to read English and seeing the word "confidential," they refused to supply it. So they went to the U.S. Government and asked them what shall we do?

The U.S. Government told them what to do. The Bureau of the Census said "You are not permitted to do it," and so they did not do it. So a few days ago, I have been advised, the Philippine Government has withdrawn this requirement. So, Mr. Chairman, I would like to enter as an exhibit a copy of U.S. form 7525-V, the Shipper's Export Declaration and I would also like to enter as an exhibit the form letter of the U.S. Department of Commerce, Washington, D.C., FTSR Letter No. 17.

Mr. ASHLEY. Without objection, it will be received.

(The documents referred to follow:)



## INSTRUCTIONS FOR THE USE OF THE YELLOW SHIPPER'S EXPORT DECLARATION

(Commerce Form 7525-V)

(Follow Carefully to Avoid Delay at Shipping Point)

## I. PROVISIONS OF LAW AND REGULATIONS.

(a) Vessels shall not be cleared for foreign ports until export declarations covering the cargo, or its parts have been delivered to the collector at the point of exportation by the owner, shipper, or consignee thereof. Similar provisions apply to exportations by rail, air, vehicle, or ferry.

(b) A declaration presented to a Collector of Customs or Postmaster and used to effect an exportation of any commodity for which a validated export license or a general license is required, constitutes a representation by the exporter (1) that all statements made and information set forth in the declaration have been furnished by him or on his behalf for the purpose of effecting an exportation in accordance with the export control regulations; (2) that the exportation of the commodity described in the declaration is authorized under the general or validated export license identified in the declaration; (3) that the statements contained in the declaration are identical in all respects with the contents of the validated export license, or the terms, provisions and conditions of the applicable general license; and (4) that all other terms, provisions, and conditions of the export control regulations applicable to the exportation have been met.

(c) It is unlawful under the export regulations and the export control law, in addition to the provisions of any other law, for any person, whether or not situated in the United States, knowingly to make any false or misleading representation, statement, or certification, or to falsify or conceal any material fact, whether directly to the Bureau of International Programs, the Bureau of the Census, any collector of customs, or an official of any other United States agency, or indirectly through any other person or foreign governmental agency or official, for the purpose of or in connection with effecting an exportation from the United States, or the transportation, transshipment or diversion of any such exportation, or the issuance, or maintenance in effect of any document relating to export control, or in the course of an investigation or other action instituted under the authority of the Export Control Act of 1949, as amended. Any person violating the provisions of law and/or the Export Control Regulations referred to herein is subject to fine of not more than \$10,000 or imprisonment for not more than 5 years, or both (a.c. of June 25, 1948, c. 441, 62 Stat. 749; 18 U.S.C. Sec. 1001); and/or to fine of up to five times the value of the exports involved or \$10,000, whichever is greater, or imprisonment for not more than 5 years, or both (Export Control Act of 1949, as amended, Sec. 3, 63 Stat. 8, 50 U.S.C. App. Sec. 2031).

(d) Commodities which are intended to be, or are being, or have been exported in violation of the export control law and the regulations thereunder are subject to seizure, detention, condemnation and sale under the Act of June 15, 1917, Ch. 30, Title VI, Sec. 1, 40 Stat. 231; 22 U.S.C. Sec. 401, as amended.

(e) It is a criminal offense for any person to knowingly make to the Bureau of the Census or the Bureau of International Programs any false or misleading statement or representation relating to information on the Shipper's Export Declaration subject to the maximum penalty of \$10,000 fine or imprisonment for 5 years, or both (18 U.S.C. Sec. 1001).

(f) Shipper's export declarations must also be filed for shipments between the United States and its outlying areas.

(g) For instructions regarding the use of this form for parcel-post exportations, see current United States Postal Manual, Chapter 2. One copy of the declaration should be mailed by postmaster to Foreign Trade Branch, Economic Operations Division, Bureau of the Census, 434 Constitution Avenue, New York 4, N.Y.

## II. SHIPPER'S EXPORT DECLARATIONS (Commerce Form 7525-V).

(a) Must be made in triplicate for shipments by vessel, air, rail, car, vehicle, and ferry for all merchandise shipped to foreign countries, including Canada, where that country is not the final destination. For shipments finally destined to Canada, and between the United States and its outlying areas, the declarations must be made in duplicate. Under export control regulations, additional copies may be required by the Bureau of International Programs. (Commerce Form 7525-V should not be filed for merchandise shipped in-transit through the United States from one foreign country to another. In lieu thereof, "Shipper's Export Declaration for in-transit Goods" on Commerce Form 7513 should be filed.)

(b) The exporter or his forwarding agent (duly authorized by a general power of attorney on file in the Customhouse or by specific power of attorney in item 18 of the export declaration form) or a duly authorized officer or employee of either must sign the original copy of the declaration in the space provided for signature. The name of the corporation or firm and the capacity of the signer (secretary, export manager, etc.) must be set out in the line captioned "For" in item 19. Oath is not required on the declaration, but the provisions of law and export control regulations applicable to false representations, as indicated in paragraph I (c) and (d), above, are fully applicable.

(c) Designation of agent must be in writing and signed by the exporter on declaration or in separate document providing similar authorization, which shall be filed with the collector. Export control regulations define a "forwarding agent" as a person authorized by a named exporter to perform for the exporter actual services which facilitate exportation of the commodities described in the declaration, such as preparing the declaration, attending to clearance of the shipment by submission of documents to the Collector of Customs or export control officers, securing cargo space or delivering the commodities to the exporting carrier, obtaining bills of lading in connection with the exportation, and attending to the formalities of consular invoices, certificates of origin, and other like documents; but such person need not be regularly engaged in the freight forwarding business.

(d) An authenticated declaration evidences the existence of a validated export license or an exportation permitted by an applicable general license. It is a violation of the export control law and regulations for any person to receive, use, alter, or assist in or permit the use or alteration of, any export declaration which has been authenticated by a Collector of Customs in connection with the exportation of any commodity under a general or validated export license, for the purpose of facilitating or effecting any exportation other than that set forth in such declaration and in accordance with the terms, provisions, and conditions thereof. Any person receiving an authenticated declaration showing evidence of unauthorized change, alteration, or amendment may not take any action to facilitate the exportation, but must report the facts to the nearest Collector of Customs and surrender the declaration to such Collector.

(e) In the case of exportations subject to the export control law and regulations, the original and two copies (or additional copies if required or authorized by export control regulations) of the declaration submitted to the Collector of Customs at the point of exit by the exporter, his named duly authorized forwarding agent (for a duly authorized officer or employee of either) will be authenticated by the Collector. The Collector will retain the original and one copy, and will return one (or more where required or authorized) authenticated copy to the exporter or such agent. One copy so returned shall be delivered by the exporter, or his agent, to the exporting carrier for attachment to the outward manifest. The additional copy or copies, when required or authorized, shall be used by the exporter in conformity with export control regulations. All copies not used shall be returned to the Collector. The statistical (manifest) copy of the declaration will be forwarded by the Collector to the Bureau of the Census. Collectors will not authenticate a declaration which has been altered, changed, or amended, except as and to the extent authorized by the export control regulations.

(f) For shipments by rail to Mexico and Canada separate declarations shall be prepared for each carload.

(g) Shipper's Export Declarations are for use solely for official purposes authorized by the Secretary of Commerce. Use for unauthorized purposes is not permitted. In accordance with the provisions of the Export Control Act (Title 50, U.S.C. App. 2026c) information from the export declarations will be published or disclosed only when the Secretary has determined that the withholding thereof is contrary to the national interest.

## III. EXPLANATION OF TERMS.

ITEM 1. *United States; Part of Export*.—Insert United States Customs port of exportation in terms of Schedule D, "Code Classification of Customs Districts."

ITEM 2. *Method of Transportation*.—Check whether exported by vessel (including ferry), air, or other means of transportation. If "Other," specify; i.e., rail, truck, etc.

ITEM 2a. *Exporting Carrier*.—In addition to checking the method of transportation in item 2, specify here the name of the exporting carrier. If vessel, give name of ship, flag, and number or name of port at which the goods were laden. If air, give name of airline. If "Other" (rail, vehicle, etc.), give name of carrier and identification by number or other designation.

ITEM 3. *Exporter*.—Exporter named shall be licensee named in the validated export license or person entitled to make the exportation under applicable general license in conformity with export control regulations.

ITEM 4. *Agent of Exporter*.—State name of duly authorized forwarding agent of named exporter. See paragraph II (c).

ITEM 5. *Ultimate Consignee*.—Ultimate consignee (whether by sale in U.S. or abroad, or by consignment) shall be person named as ultimate consignee in validated export license or as ultimate consignee under applicable general license in conformity with export control regulations.

ITEM 6. *Intermediate Consignee*.—Intermediate consignee shall be person named as such in validated export license or as intermediate consignee under applicable general license and in conformity with export control regulations. If none, state "none." Intermediate consignee should be inserted, if known at time of authentication.

ITEM 7. *Foreign Port (Unloading)*.—Foreign port of unloading (i.e., foreign port at which the merchandise will be unladen from the exporting carrier specified in item 2a) should be shown for vessel and air shipments only.

ITEM 8. *Place and Country of Ultimate Destination*.—The final place and country of destination, not the place of transshipment, should be shown in the space provided for "Place and Country of Ultimate Destination." Special care should be taken to give the final place and country of destination for goods shipped through Canada, United Kingdom, Canal Zone, Chile, Peru, or other seaboard countries for transshipment to other countries, such as through Chile or Peru, destined for Bolivia.

## IV. DESCRIPTION OF ARTICLES, QUANTITIES, AND VALUES.

COLUMN 9.—Insert marks and numbers.

COLUMN 10.—Insert marks and kinds of packages, description of commodities, export license number, and expiration date, or general license symbol. Commodities must be described by nature and quantity in sufficient detail to permit verification of the Schedule B commodity numbers assigned. The description of the articles must be definite and complete, preferably the common commercial name of the specific article, and must conform with that set forth in the validated export license or with the requirements of the applicable general license. General terms such as "dry goods," "groceries," "meats," etc., are not sufficient. Catalog numbers or other characteristic trade identifications should be used where they will aid such description. Identification or description by trademark or brand name should be avoided where possible.

COLUMN 11.—Insert gross weight in pounds for vessel and air shipments only.

COLUMN 12.—Specify whether of domestic or foreign origin. Exports of domestic merchandise include commodities which are the growth, product, or manufacture of the United States. Exports of foreign merchandise include commodities of foreign origin which entered the United States as imports; and which, at the time of exportation, are in the same condition as when imported. Commodities of foreign origin which have been changed in the United States from the form in which they were imported, or which have been enhanced in value by further manufacture in the United States, are considered as "domestic" commodities.

The above definition of the distinction between domestic and foreign merchandise is intended only for use in reporting column (12) on this export declaration and is intended for statistical purposes only.

COLUMN 13.—Insert the Schedule B commodity code number. (See instruction VII (e) below.)

COLUMN 14.—Insert the net quantity in Schedule B unit. State the unit of quantity shown, i.e., pounds, square yards, etc.

COLUMN 15.—Insert the dollar value at time and place (U.S. port) of export (omit cents figures). Value stated should be the selling price, or cost if not sold, including inland freight, insurance, and other charges to border point, airport, or exporting airport. Ocean freight, marine insurance, and other charges incurred beyond the U.S. port of exportation should be excluded.

ITEM 16.—For convenience of exporter, to be inserted if desired.

ITEM 17.—To be inserted by Collector of Customs.

## V. SIGNATURES.

ITEMS 18 and 19.—See paragraphs II (d) and II (e) of these instructions.

## VI. FOREIGN COMMERCE STATISTICAL REGULATIONS—EXPORT CONTROL REGULATIONS.

For more detailed information regarding the preparation of the export declaration, refer to the regulations for Collection of Statistics of Foreign Commerce and Navigation of the United States (Title 15, Ch. I, Part 30, Code of Federal Regulations), copies of which may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C. Information concerning export control law and regulations may be obtained from the Bureau of International Programs, Washington 25, D.C., or from the Department of Commerce Field Offices.

## VII. SCHEDULE B AND BLANKS.

(a) Schedule B, Statistical Classification of Domestic and Foreign Commodities Exported from the United States, may be purchased from the Superintendent of Documents, Government Printing Office, Washington 25, D.C., local Collectors of Customs, and Department of Commerce Field Offices located in principal cities.

(b) Shipper's Export Declaration blanks may be purchased from the Superintendent of Documents, Government Printing Office, Washington 25, D.C., local Collectors of Customs, and Department of Commerce Field Offices located in principal cities. They may be printed by private parties provided they conform to the official form in size, wording, colors and quality (weight) of paper stock, and arrangement. An authenticated Shipper's Export Declaration may not be reproduced in any form.

U.S. DEPARTMENT OF COMMERCE,  
BUREAU OF THE CENSUS,  
Washington, D.C., April 19, 1965.

FTSR Letter No. 17.

To: Collectors of Customs, Department of Commerce field offices, exporters, and others concerned.

From: Bureau of the Census.

Subject: Philippine requirement regarding shipper's export declarations.

The Philippine Government has recently issued a directive to the effect that shipments reaching the Republic of the Philippines on or after June 1 must be accompanied by an authenticated copy of the shipper's export declaration or by an unauthenticated copy duly notarized as being a true copy of the copy filed with customs. The Philippine Government has been advised that its directive is in conflict with U.S. policy and regulations, and we anticipate that the American Embassy in Manila will be able to obtain withdrawal of the Philippine requirement before its effective date. In the meantime the attention of U.S. exporters and all customs personnel concerned is directed to section 30.91 of the Foreign Trade Statistics Regulations, which strictly limits the issuance of authenticated copies of shipper's export declarations to those which are needed by the exporter for officially approved purposes of the U.S. Government. Further, this section states that the supplying by exporters of any copies of, or information from, shipper's export declarations for unofficial purposes is considered detrimental to official objectives and is not permitted. It is suggested that exporters who are requested to furnish copies of their declarations inform Philippine customers that this order cannot be complied with, so that the customers will be in a position to communicate with their Government regarding the need to have the Philippine order withdrawn.

AUDREY RATCHFORD,  
*Acting Chief, Foreign Trade Division, Bureau of the Census.*

Mr. ASHLEY. Do you have copies of the letter which the Arab States have been sending out to which you alluded a moment ago?

Mr. FAIN. The one I referred to before asking if members of the firm are Jews, et cetera?

Mr. ASHLEY. Yes.

Mr. FAIN. I can have that submitted to you perhaps within a few days, Mr. Chairman.

Mr. ASHLEY. It will be much more relevant, as a matter of fact, than the questionnaire we have just admitted to the record. I do not see much point in having the one in the record without the other.

Mr. FAIN. Yes.

(The document referred to follows:)

PETROLEUM SPECIALTIES, INC.,  
New York, N.Y., April 21, 1961.

To: Mr. R. I. Wishnick, Witco Chemical Co.

On request of Mr. Schindler's secretary, please find enclosed herewith original of letter from the Commissioner General for the Boycott of Israel, League of Arab States.

This letter was not answered.

A copy of the letter was sent to Senator J. Javits, Washington, D.C.

C. A. HELLER.

CAH: dak.

cc: Mr. G. Schindler.

"DEAR SIR: As you are aware the Arab countries are in a state of war with Israel and for this reason we are making an economical [sic] siege around Israel. This siege is administered by a special control and investigation office with members of all the Arab States.

"An officer in said office visited us today and requested that following information be supplied about your company:

"1. Do you have any business relations with Israel, whether you sell your products there and name of your agent and address?

"2. Do you import any materials whatsoever, raw materials or parts from which your products are made, from Israel?

"3. Do you have a branch factory or utilizing any of your capital in any factory in Israel?

"4. Is any part of your capital paid by Israelites; if yes what is the amount of said part?

"5. Do you have any Jewish employees in your company; if yes how many and what are the positions held by them?

"6. Are there any Jews on your board of directors as members?

"7. Are any of your managers or branch managers Jews; if yes please give name of the department headed by such a man?

"8. Is any of the persons authorized to sign on behalf of your company a Jew?

"9. What is the number of Jewish laborers in your factories and offices?

"We have been requested to give full detailed answers to each of the above questions but as we do not know each information, we are now writing this letter to you for being kind enough to give the required information so that we pass your letter to the Economical Siege of Israel Office, on your behalf.

"Your reply is to be please in two copies and signed by the chairman of the board of directors.

"We advise you to give accurate and frank information because of any difference between your answers and the information the Government office may obtain by investigation will create legal complications."

Mr. FAIR. I will say to you, sir, this letter has been reproduced in a booklet which is available. It appears on page B-4 of the special survey of the Near East report entitled "The Arab Boycott Involves Americans."

Mr. ASHLEY. Will anybody be able to submit that for the record? We are familiar with the document. It is just that I want the record to have it.

Mr. FAIR. That will be submitted, sir.

(The document referred to follows:)

#### THE RELIGIOUS QUESTION

Arabs have learned that Americans resent questions about the religion of their employees or officers. So, in recent years, they have limited themselves to inquiries about affiliations with pro-Israel organizations.

However, throughout the rest of the world, the Arabs are still unafraid to use the word "Jew" in their questionnaires. The Dutch firm Verkoopkantoor Van der Heem, N.V., was asked to answer these questions:

"Do you have any Jewish employees in your company? If so, how many and what are the positions held by them?

"Are there any Jews on your board of directors as members?

"Are any of your managers or branch managers Jews? If so, please give name of the department headed by such a man.

"Is any of the persons authorized to sign on behalf of your company a Jew?

"What is the number of Jewish laborers in your factories and offices?"

Mr. FAIR. This experience with the Philippines has just come to a head in the last few days. We may think this is unique but it is not. In October of last year the same thing happened with the Government of Ecuador. The U.S. Government refused to allow the shippers to supply a copy of the document; the Ecuadoran Government withdrew. I want to point out the motives were apparently laudable; they were not intended to interfere with international trade; they were not intended to impose any burden on American businessmen; they were not intended to threaten any businessmen; there was no suggestion of boycott. They were not told, either you do business with this country or that country, but not with both.

The same thing also happened some years ago in Cuba, "B.C.," if I may use that expression to refer to "before Castro." Again the Cuban Government for an apparently laudable motive asked the American shippers to supply the export declaration so the Cuban authorities could have information on the boycott members; again the Commerce Department said "No." The Cuban Government backed down.

But let's take the situation in the Philippines, which is certainly a Government friendly to the United States, and let's explore it a bit more.

Suppose the Philippine Government did not ask just for this simple shippers' export declaration, which is a very modest document and takes very little trouble to fill out and very little effort to make a photocopy of, which is not permitted by U.S. law—and they began asking them other questions. Suppose they asked them questions with which you gentlemen are already familiar from yesterday's testimony, saying "Look, if you people do business with Japan, you are not going to do business with the Philippines and we want you to answer a lot of questions. Do you own any stock in Japanese companies; do you use any Japanese parts in your goods; will the ship that carries goods here stop at a Japanese port, et cetera?"

And they put American producers on notice that either they had to do business with the Philippines or with Japan; that is, if the Philippines could find out about their business dealings with Japan. And suppose these harassed American businessmen came to the same Government agencies, Department of Commerce and Department of State, and said "What shall we do?" I think you gentlemen know that based on the answers that have been given for the past 15 years, since 1950, the U.S. Government would tell these people, "We are very sorry; we deplore the boycotts. Boycotts are bad things; they are contrary to our principles of expanding international trade; they are harassment; we do not like them, but there is very little we can do except to work in diplomatic channels. And as far as telling you whether to respond to these questionnaires and sign these agreements of what you will or will not do, this will be up to you."

This is a very strange situation. On the one hand, the U.S. Government talks to an American businessman and tells them if a foreign government or group of foreign governments asks you for a very simple document without intending to harass you and disturb your business relations with other countries, you must not give them the information. But if the foreign government or one of its agencies or a group of agencies or governments comes to you and asks you much more pertinent questions and asks you to sign different documents which, in effect, force you to choose between doing business between one country or another, then the U.S. Government does not tell them that—it does not under law have the right to say "No, you may not answer these questions or supply these documents." And this, I submit, is the heart of the logic and the need for the antiboycott amendment that is now under consideration.

Now, the members of the administration who have written and testified before this committee have used the word "pragmatism." They say we have to go at it in a pragmatic way and work it out on a case-by-case basis. I say: All right, let's be pragmatic. Pragmatism is one of the earliest and most elementary rules of ethics to determine whether

a course of action is wise and moral, on the simple test of what would happen in our world if such a course of action were followed generally. So, let's do a little imagining beyond this supposed case of the Philippines and Japan and a situation which of course we do not want to happen and we hope will not, but which we are just assuming, the case of cross-boycotting between Japan and the Philippines.

You can imagine all kinds of such situations happening in the Far East. You can imagine this situation happening between Japan and Korea, between Japan and Taiwan, between Taiwan and Hong Kong, between the Philippines and Indonesia, between the Philippines and Malaysia and Indonesia. The list is almost endless.

Suppose it were to happen. Can you imagine the chaos, and "chaos" is certainly a mild word. The shipping lines could not run a ship the way they do now, which usually is Japan, Korea, Taiwan, Manila, Hong Kong. They would have to run double and triple and perhaps quadruple routes to the Far East with consequent higher costs and poorer service. And think of the poor businessman, and I am not crying "crocodile tears" for the poor businessman just because I happen to be one by profession. This is one time we could, if it were to happen, truly sympathize with them. Just imagine the questions he would have to ask himself as he ships to the Far East.

"Does this soap which contains coconut oil come from copra, which copra came from—do we know? From the Philippines or from where? Do these spices come from Indonesia; do the rubber products contain, perhaps, any rubber from Malaysia or from Indonesia or from Siam, Thailand, or from any other country in the Far East. Do these motortrucks we are shipping contain any tin from Indonesia; do these other things we are shipping contain any parts from Japan?"

Lest you think I am indulging in fairy tales beyond possible happening, remember that each of these instances I am giving you are not pulled out of the air willy-nilly, but each of these cases has a history of tension between the countries, some a little ancient as in the case of the Philippines and Japan, and we certainly do not want to intensify them, but many of them very much current.

But why stop at the Middle East? Go to any part of the world. Look at Africa. We know the tensions that exist there. We know the tensions that exist, for example, between Morocco and Mauritania, between Ghana and Togo, between Ethiopia on the one hand and with both Somalia and Sudan; and, very close by, between Kenya—Kenya with Somalia and Kenya with Uganda. Think of all the African, newly independent African countries, and their relations with the Union of South Africa.

Just in last night's paper, there was a front page article in which the Prime Minister of Gambia was urging the countries—the newly independent countries of Africa—not to boycott each other. He was referring to a political boycott but we know that an economic boycott is the next step.

This would be an impossible situation. Yet the United States and the other countries of the world, for that matter, by sitting by and permitting the existing boycott, which has been going on for about 15 years by the Arab States against Israel, are inviting other nations with political tensions with some of their neighbors to engage in simi-

lar economic boycotts. This is a possibility of danger which we cannot overlook but, outside of the practical danger, I point out to you that the significance of this is that the boycott now being practiced for the past 15 years is a completely immoral and illogical way of operating. In this connection, just a few days ago, the Chicago Tribune published a front page cartoon on this same subject, which I show to the committee and, with your permission, would like to introduce into the record.

Mr. ASHLEY. Without objection, it will be accepted.  
(The cartoon referred to follows:)



Mr. FAIN. This committee has been told of the methods of implementing the boycott. No. 1 is the two-page letter, a questionnaire, which is sent to American firms which in essence says we understand you do business with Israel and if you do, you cannot do business with the Arab States. Answer these questions. If you do not answer these questions, you will be blacklisted. If you answer in the affirmative on any of them, you will be blacklisted. But if you give us documentary proof from your side and the Israel side that these busi-

ness relationships have been terminated, then you will not be black-listed. I would like to spare your time, gentlemen, to introduce a photocopy of such a two-page letter dated March 30, 1965, from Damascus, Syria, headed "League of Arab States, Secretariat General, Central Office for the Boycott of Israel," addressed to Freedman Industries, Inc., 111 Columbus Avenue, Tuckahoe, N.Y.

Mr. ASHLEY. Without objection, it shall be accepted into the record. (The document referred to follows:)

**LEAGUE OF ARAB STATES**  
SECRETARIAT GENERAL  
CENTRAL OFFICE FOR THE BOYCOTT OF ISRAEL

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*Your Ref. :*

*Our Ref. : 2970/S/65/ 3192*

*Damascus, Syria, 30 MAR 1965*

P.O.B. 437

Freedman Industries, Inc.,  
111 Columbus Ave.  
Tuckahoe, N.Y.  
U.S.A.

Gentlemen:

We wish to inform you that we have acquired reliable information to the effect that your company imports Israeli products.

In this regard, we believe that it is of mutual interest to both of us to draw your attention to the fact that the Arab countries are still in a state of war with Israel which usurped a dear part of the Arab homeland, dispersed its inhabitants, deprived them of their properties and possessions and failed to comply with any of the resolutions of the United Nations supporting their rights. Therefore, as a measure of selfdefence, and with the view to safeguarding the rights and the vital interests of the Arabs of Palestine, the Arab countries strictly adhere to a set of boycott rules directed at Israel. In brief, these rules prohibit Arabs from entering into any sort of dealings with Israeli natural or artificial persons. They also prohibit dealings with foreign natural or artificial persons who contribute to the promotion of Israel's economy or war effort through any of the deeds defined by the Boycott Law and Regulations or Principles. Violation of these regulations entails the boycott of violators in all Arab countries.

However, before any action is taken against your firm, and intending to demonstrate the good faith of the Arab countries, we find it beneficial for you, as well as for us, to contact you directly so that you may inform us of the nature of the dealings of your firm with Israel. This will have to be done in the form of a declaration duly certified by your chamber of commerce or industry, or executed before a notary public and then authenticated by the closest Consulate or Diplomatic Mission of any Arab country. The required declaration will have to contain complete answers to the following questions:

1. Do you have any branch, office or agency in Israel? Please state the nature of its activity.
2. Do you act as general agents of Israeli companies or import Israeli products?
3. Have you ever owned shares in Israeli firms or businesses?
4. Is your firm or any of its directors a member of any foreign-Israeli chamber of commerce in Israel or abroad?

If your answer is in the positive, you will then be kindly requested to present the following:

- a) An official copy of your agency or any agreement with any Israeli company, provided that it should be duly certified by your chamber of commerce or industry or executed before a notary public and authenticated by any Arab consulate in your country.
- b) Documentation proving that you have terminated the agency or any agreement and showing the consent of the Israeli side to such termination. Such documents have to be duly certified as outlined above.
- c) An undertaking to the effect that you will never represent Israeli companies in the future or import their products.

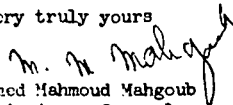
In this connection, we wish to point out that you certainly know that dealing is a contract and the contract is the law of the contracting parties. Each party have the right to provide for the terms he find interesting for him while the other party have the right to accept or refuse such terms.

I hope that you will understand the considerations which render this request which is basically aimed to the interest of your company and that you will not consider it, according to misleading zionist propaganda, as an attempt to exert pressure on you or interference in the affairs of your company. On the contrary, the Boycott Apparatus do not absolutely think of that. Our sole aim is to avoid stopping trading with your company without giving it a fair chance to explain the motives for that action and try to eliminate them if you find this fit for you, since the whole matter is left for your judgement.

If you find that your interests are in dealing with the Arab countries, which gives us much pleasure, we hope that you will furnish us with the above requested documents duly certified as outlined above, within a period of three months from this date.

But if you will choose, in spite of our above statements, not to take any step proving your willingness to continue trading with the Arab states and your understanding of the compelling considerations which render these measures, the Boycott Apparatus upon the expiration of the specified time-limit will be forced, with deep regret, to recommend banning transactions with your company.

Very truly yours



Mohammed Mahmoud Mahgoub  
Commissioner General

Central Office for the Boycott of Israel

Mr. FAIN. The second method of implementing the boycott is to require affidavits of non-Israel origin of the goods, affidavits about the ship taking the goods, that it is not an Israel liner, that no owner is an Israel citizen, that the ship is not on the blacklist, that it is not going to touch at an Israel port.

For the record, I would like to submit a photocopy of an American invoice dated September 28, 1964, from the Westinghouse Electric International Co. to the McMillan Hydraulic Engineering Co., Skokie, Ill., covering some merchandise indicated at the bottom for ultimate destination, Egypt, and stamped or typewritten on this invoice this wording:

We hereby certify that the goods or services enumerated in this invoice are not of Israel origin nor do they contain any Israel materials.

May I introduce that into the record, gentlemen?

Mr. ASHLEY. Without objection, so ordered.



Mr. FAIN. Also I have with me a similar certification by the World Trade Department of the Greater San Francisco Chamber of Commerce, which I also would like to introduce into the record.

Mr. ASHLEY. Without objection.

(The document referred to follows:)

**SF**  
**CC**

**GREATER SAN FRANCISCO CHAMBER OF COMMERCE**

I hereby certify that I have investigated the foregoing statements and to the best of my knowledge and belief the articles described above are the growth, product or manufacture of the United States of America; furthermore, that these articles are not of an Israeli origin, and that no Israeli products were used in their manufacture.  
SAN FRANCISCO CHAMBER OF COMMERCE

BY



World Trade Department

Mr. FAIN. Now, Mr. Chairman and gentlemen, I have before me a document which I may not introduce into the record but which I would like to read to you, leaving out the name of the company other than saying it is one of the large business corporations of the United States. It is on the stationery of this company, dated July 30, 1964, and it is incorrectly worded. It says, "The Israel Boycott Office in Kuwait," but it of course, means Arab.

Mr. ASHLEY. That does seem unlikely.

Mr. FAIN. Declaration of such a company. "Such a company hereby declares that"—and I will read this with your permission, Mr. Chairman:

(1) Neither such a company nor any of its branches, divisions, and affiliates, has factories or offices in Israel, (2) neither such a company nor any of its branches, divisions and affiliates, has assembling factories in Israel; (3) neither such a company nor any of its branches, divisions, and affiliates has sole agents or authorized offices for Middle East contracts in Israel; (4) neither such a company nor any of its branches, divisions, or affiliates has authorized any Israel companies to use any of its names or trademarks:

Neither such a company nor any of its branches, divisions, or affiliates have any stock interest in any Israel company or factory; neither such a company nor any of its branches, divisions and affiliates have furnished technical services and advice to Israel; neither such a company nor any of its branches, et cetera, represents a company in the United States of America; such a company as well as its branches, divisions, and affiliates have sold such and such equipment to Israel from time to time in accordance with established commercial practice without expending any favors whatsoever to Israel. Such a company is organized in accordance with the laws of the State of Delaware, United States of America, signed and notarized.

I think it is important to summarize in just a few words the reason why this boycott with which we are familiar and any such similar boycott is bad.

1. Obviously, it is a harassment and blackmailing of American business, an interference with their normal business activities. This argument needs no elaboration.

2. An argument which perhaps has not received sufficient consideration in this discussion in the past is that this boycotting activity works a special hardship on the smaller firms viz-a-viz the larger firms, because with all due respect to the smaller firms and the ability and intelligence and courage of their managers, generally speaking, they do not have the financial resources of the larger ones, they do not have the important products of the larger ones, and they do not have the sophisticated knowledge in international trade and they are more subject to yield to the threats than some of the larger companies that can afford to take a more independent attitude.

But the harms of the boycott go beyond the harm to the individual businessman and I would like just to mention them briefly.

The third point I would care to make as to the harm of the boycott is that this is contrary to our export expansion program, part of our program to increase the export trade surplus and improve our balance-of-trade situation, and in this connection without engaging in a long discussion of statistics, and statistics were introduced yesterday by your chairman, let me just briefly express to you that in 1962, of all U.S. exports to the 10 Middle Eastern areas, exclusive of Public Law 480 agricultural products, of course, Israel took 30 percent which happened to be the equivalent of what Kuwait and

Saudi Arabia took. The following year, 1963, and I do not have the 1964 figures because I could not find them published, Israel took more than Kuwait and Saudi Arabia. I bring these figures to your attention not because I believe this factor is the governing factor in your decision but because it is important to give a direct rebuttal to a statement that was made in this connection by the State Department in which they gave as one of their objections that this bill would seriously harm our sizable—commercial relations with Kuwait and Saudi Arabia with adverse effect on our already negative balance of international transactions.

That statement gives the impression that our exports to Saudi Arabia and Kuwait are considerably more than to Israel, though the facts are otherwise.

The question was raised several times yesterday as to how effective the boycott would be, since in many cases, relations of American firms in Israel are open, and some cases they are not. Surely a hotel or manufacturing plant with a well-known American name is no secret to anybody in the world. But many if not most of the relations, particularly in the important field of technical assistance are not open and can be disclosed only by the parties. So very clearly, by preventing the American firms from disclosing the existence of these relationships, the boycotting activity is deprived of the information which they need to effect a boycott. I think it is as simple as that.

But I must stress very strongly this: What is the real effectiveness of the boycott? It is not only 150 or whatever number of firms—we probably do not know for sure—who have been put officially on the blacklist; firms very large and small. It is the fact that the boycott has created in the American business community an atmosphere of fear, an atmosphere of intimidation, so that American firms, even well-intentioned ones, are loath to run the risk of the boycott, so they do not even start to do business with Israel. This is the real effectiveness and this is the real harm of the boycott. Once American businessmen know that they will not be harassed with these questionnaires and threats, will they be able to deal more openly with Israel?

A number of impressions have been left with this committee as to what terrible consequences will flow from this bill. One which is very surprising to me was the statement last week from the Department of Commerce that this bill would be difficult to administer. We know that on the face of it, the bill is a limited bill. And because of this, we are not happy. Perhaps many of us would be happier if this bill were not just negative but positive. This bill does not go into the real heart of the problem at all: it does not attack the moral issues. It does not refer to the real problems between Israel and her Arab neighbors. It simply refers only to American businessmen signing documents such as the one I read with the name deleted, giving affidavits, giving information about their business relations. The Department of Commerce says that this would be difficult to administer. I wanted to bring with me today, but I was not in my office, which is in Rhode Island, and I could not, the regulations for the Export Control Act. Now, throughout my recent business life, since the Export Control Act has been in effect, I and my colleagues

and other businessmen have worked with it. If any of you have ever seen the regulations of the Export Control Act, you will see they are as large as a book. And for the Department of Commerce to say that they would find it difficult to administer this very simple statement before you, when they have to administer an extremely complex Export Control Act, I find difficult to understand. All they would have to do obviously is to issue regulations. They would not have to establish a policing force, and then they could easily answer questions from American businessmen interpreting these regulations.

As a matter of fact, if I may say something on a personal note, the Department of Commerce in their testimony has sort of made a liar of me. I had the opportunity a number of years ago, about 5 years ago, of testifying before Congress in behalf of the Department of Commerce urging a larger appropriation for administration of international trade in which I expounded on how efficient the Department of Commerce was and how I as a private businessman did not subscribe to the sometimes heard criticisms of Government bureaucracy, rather to the reverse. Certainly my friends back home, if they could take my testimony of 1960 on the one hand and take the testimony of the Department of Commerce last week on the other hand would have good grounds to quarrel with me.

I say further that this bill, to rebut some of the things that have been said, requires no affirmative optional action by either the Department of Commerce or the Department of State. It requires no affirmative optional action by the President. It does not put them on the spot. They do not have to make any decisions under this act. Congress has made the decisions and it does not interfere in any way with our export control procedures or with our foreign political and economic activities.

I was also quite taken aback at the stress that the administration witnesses put upon the similarity between the Arab boycott procedures and our efforts to get information in our program of economic denial to Cuba, China, North Korea, and North Vietnam. There are many points of difference. The first point of difference as was pointed out to you clearly yesterday is that the United States is controlling the shipment of its own goods, not the shipment of foreign-country goods, to Cuba, China, et al.—a significant difference. There is a still more significant difference that I think should be stressed. Under our Export Control Act, all merchandise, not just some but everything, even toothpaste, is shipped to foreign buyers who are put on notice by their American suppliers, in effect creating a contract, that diversion contrary to U.S. law is prohibited; so that if any foreign recipient transships to Cuba, et cetera, contrary to regulations, he is violating an agreement with his American supplier and, indirectly, with the U.S. Government, which certainly gives the American supplier and the U.S. Government a legitimate ground to inquire into the transaction; entirely different from the case with the Arab boycott against Israel.

A third difference is the implementation. We use persuasion; the Arab boycott uses intimidation. We deal principally with foreign governments, the Arab boycott deals principally with American business firms.

A fourth difference is a matter of penalties. What are the penalties imposed by the Arab boycott office? The penalties are complete blacklisting. What are the penalties imposed by the U.S. Department of Commerce? A limited, stated period of time during which the particular foreign firm that has been found guilty of transshipping against its agreement with its American supplier from receiving the benefits of American export licensing.

Now, it is important to remember that the United States in its economic denial program, and I stress this very strongly to you gentlemen, controlling its own goods does not attempt to penalize foreign firms for doing business with Cuba, China, North Vietnam, North Korea. I say this to you because a witness last week left an unfortunately ambiguous feeling with this committee, when he testified in respect to Cuba and European firms, that the U.S. Government has asked them not to do business with Cuba.

I will now close with a reference to an attitude that has been frequently expressed—"Let's not get involved." This is a quarrel between the Arab States and Israel and we do not want to take sides; we want to be friends with everybody. That is lovely, gentlemen, if you can do it, but you cannot. The United States cannot avoid getting involved. The very facts of the situation are that we are involved. We are as involved as a householder is if a bully comes into his house. He cannot turn his back. He has to do something about it. Errors as acts of omission are sometimes as important as or more important than acts of commission. The most common example of that is a man who has to decide whether he is going to pop the question. He cannot be uninvolved. He either asks or he does not ask. If he does not ask, he has made a decision, a lifelong decision. And similarly with the U.S. Government in this matter. They have to make a decision. The Government cannot come before this committee and say "Let's keep hands off, let's not get involved." We are involved. By our actions, we are in effect supporting the boycott because we are making it possible for our businessmen to be put in a position of supporting the activities of the Arab League.

The Congress has to make this decision and it is very simple. Either we pass this bill which is to protect American businessmen or we refuse to pass this bill, which leaves American businessmen exposed.

Thank you very much, Mr. Chairman and members of the committee.

(The complete statement of Mr. Fain follows:)

STATEMENT OF IRVING JAY FAIN, PROVIDENCE, R.I., ON BEHALF OF AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today to testify on behalf of H.R. 627 and companion bills, the antiboycott amendment to the Export Control Act. My name is Irving Jay Fain. I am a lifelong resident of Providence, R.I.; and pleased to be a constituent of a member of this committee, Mr. St Germain. Officially, I appear as a representative of the American Israel Public Affairs Committee, a voluntary organization, with headquarters in Washington, whose purpose is to improve relations between the United States and Israel. I have been engaged in business continuously for the past 38 years, with the usual wartime interruption, much of this time in international trade. My first dealings in exporting began in 1929. My business life has been principally as a member of

several family-owned and family-operated business firms. I have been active in international trade mostly through the Apex Tire & Rubber Co., of Pawtucket, R.I., of which firm I was chairman. Several months ago, this company changed its ownership, its name, and its corporate form.

Let us start with a hypothetical case. Suppose American business firms engaged in international trade were to receive letters from the Union of South Africa, with these questions:

"Do you have any nonwhite employees in your company? If so, how many and what are the positions held by them?"

"Are there any nonwhites on your board of directors as members?"

"Are any of your managers or branch managers nonwhites? If so, please give the name of the department headed by such a man."

"Is any of the persons authorized to sign on behalf of your company a nonwhite?"

"What is the number of nonwhite laborers in your factories and offices?"

"Do you have any nonwhite owners?"

What would be the reaction of the heads of American firms (that is, besides being resentful of this unbusinesslike and immoral intrusion)? Some would probably go to the Department of Commerce and the Department of State. And what would these agencies advise these American firms to answer? It would probably be along this line:

"The laws of the United States, and of the State in which this firm is domiciled, are such that we are forbidden to discriminate in our employment practices on grounds of race, color, religion, and national origin, or to engage in any activity which might tend to foster such discrimination. The names of the shareholders of this firm are not a matter of public record and, if they were, they would not be identified by the colors of their respective skins. It is therefore impossible for us to supply the information which you have requested."

The above letter may sound like "Alice in Wonderland." Actually, it is an almost verbatim copy of letters which have been received recently by European firms, and which some years ago were received by American firms. The difference is that the word "Jews" appeared in the actual letters where in my hypothetical example, I have used the word "nonwhites."

Next, let us turn to another example—not hypothetical but actual. For the past month, the Government of the Philippines—a country friendly to the United States—has been asking American firms to supply a copy of what is known as the shipper's export declaration. This is a common document prepared for each export shipment by the shipper or his agent to be submitted to U.S. customs. It is form 7525-E. In the upper right-hand corner is the word "Confidential." So what should American shippers do? They have asked their Government. Their Government has replied. The Bureau of Census has been advising American businessmen that they, in turn, should advise their Philippine customers that the U.S. Government does not permit them to supply the requested information. What has happened? The American businessmen have refused to supply the information, and, effective just a few days ago, the Philippine Government has withdrawn this requirement.

This has happened not only with the Philippines. A half year ago the Government of Ecuador also began requesting copies of the shipper's export declaration. The story was the same as just described in respect to the Philippines.

The same thing happened with Cuba several years ago B.C. (that is, before Castro). The purpose of the Cuban Government in requesting copies of the shipper's export declaration, as was the purpose of the Ecuador and Philippine Governments, was apparently a laudable one—to prevent smuggling. What was the response of our Government? It was a flat "No." Here was no case of interference by the foreign government with the business of the American firm with any third country; there was no threat to the American firm; there was no giving him a choice to do business either with Cuba or with some other country but not with both. It was simply a request for the benefit of the internal economy of Cuba for some simple trade information; yet the U.S. Government acted, in this case, as it did in the other two subsequent cases—it refused to permit this information to be given by American firms. The Cuban Government withdrew its request.

Now let us expand this actual case of the Philippines into a hypothetical situation. Let us assume an unfriendly situation developing between the Philippines and Japan—of course, we don't foresee it and don't want it; let's

just assume it. Suppose the Philippines boycott office were to write to American manufacturers, not to request a simple document like the shipper's export declaration, with no threat of boycott; but to ask these American firms about their commercial relationships with Japan, to threaten them with the choice of doing business either with Japan or with the Philippines. This questionnaire would certainly be a more serious threat to the integrity and prosperity of American business than the request for a copy of the shipper's export declaration. But, should such a situation develop, and the business firms go to the same Department of Commerce and Department of State for help, what would the answer be? Based on the answers that American businessmen have received from these executive agencies in respect to another boycott, which has been in effect for 15 years and which is not hypothetical, they would be told in essence that the Government of the United States does not condone such boycott activities; that it regrets them; that it is doing what it can in informal diplomatic channels to ease the boycott—period.

Isn't this a strange dichotomy? Under existing law, the U.S. Government will advise American firms that they must refuse to answer requests for a copy of a shipper's export declaration which involves simple information on individual transactions, and which has no other involvement with the international activities of subject American firms; yet it has no authority to tell the same American firms that they must exercise the same right of refusal to provide information which has a direct bearing on their doing business with third countries. This is the heart of the logic and of the need for the anti-boycott amendment to the Export Control Act of 1949.

It is an old, elementary rule of ethics that one pragmatic, simple way to determine the wisdom and morality of a course of action is to imagine what would happen if it were to be generally followed. Under this rule, it is easy to understand why robbery, burglary, lying, cheating, assault, murder, etc., are considered by our society to be unwise and immoral. So, let us apply this simple test to the boycott situation.

First, let us make a thumbnail review of the nature of the boycott of Israel by the Arab States. This boycott is primary; that is, it aims to prevent the shipment of Arab country goods to Israel, or vice versa. This boycott is also secondary; that is, it attempts to prevent dealings by persons in third countries with Israel. This boycott is also tertiary; that is, it seeks to prevent firms in third countries who do not have dealings with Israel from doing business with other third-country firms who do have dealings with Israel.

Next, a thumbnail review of the methods of implementing the boycott. One means is the now well-publicized questionnaire. The U.S. firm is asked to advise the Arab boycott office of the firm's relations with Israel. For example: Have you ever owned securities in an Israeli company? Do you have an office there? Do you represent an Israeli company? Do you license know-how etc. to Israel? The U.S. firm is put on notice that his refusal to answer will put him on the blacklist; that if any of his answers are in the affirmative, he will be blacklisted unless he supplies copies of the agreements, and documentary proof from both sides, his and the Israeli, that such agreements have been terminated.

A second means of implementing the boycott is to require certain notarized statements concerning shipments. These are usually as follows: The goods are not of Israeli origin; the ship is not on the blacklist, is not the property of a resident of Israel, and will not touch at an Israeli port during its voyage.

In summary, what are the effects of these boycott activities upon American businessmen:

1. The U.S. businessman is involved in the Arabs' dispute with Israel even though he may not wish to be involved, or even though he may oppose such boycott activities.
2. The U.S. businessman is being put in the position of being blackmailed to give up his Israeli business under fear of losing his business with Arab countries.
3. The U.S. businessman is required to supply affidavits which have no pertinence to the business aspects of the transactions.
4. The shipping lines are required to run double routes to the Middle East.

So now we return to our hypothetical world where such boycott procedures were to become common. It is not too hard to imagine circumstances under which other countries in the Far East would boycott one another. Without trying to resurrect or exacerbate tensions, let us assume that situations develop

between Japan and Korea; also between Japan and Taiwan; also between Taiwan and Hong Kong; also between Philippines and Malaysia, etc., etc. In short, let us assume that many of the lands of the Far East have boycott situations with one or more of their Far Eastern neighbors. So each of these countries engages in questionnairing American suppliers with the threat that the American supplier must choose between A or B and C, between B or C and D, etc., etc. Then each country will require that the goods from the American suppliers do not contain any material from other-named countries; also that they were not being delivered on a ship on certain blacklists, or owned by a citizen of certain other countries, and that the ship did not stop at a port of certain other countries. Can you imagine the result? "Chaos" would be a mild word.

The shipping lines, which now route their ships to many Far Eastern ports on each voyage, would have to rearrange schedules to provide duplicate and triplicate trips, with resultant higher shipping costs and poorer service. And what of the businessman? Puzzle, puzzle, puzzle. First, to try to calculate with what combinations of markets he might possibly deal. Then, to try to calculate which combination of markets would cost him the least in lost business. Then, to try to get information on content as required by affidavits. We can imagine exporters asking themselves these questions.

Are any of the bags in which this merchandise is packed made from hemp from the Philippines? Does the soap contain coconut oil made from copra from the Philippines or from Malaysia? Do any of these food products contain sugar from the Philippines or spices from Indonesia? Do any of these radios or computers contain transistors from Japan? Does any of the clothing contain textile fabric from Hong Kong? Do any of these rubber products contain rubber from Malaysia or from Indonesia or from Vietnam or from Thailand? Do any parts of this machinery or of these trucks contain tin from Malaysia? We are not often asked to sympathize with the harassed businessman, but this time it would be justified.

But why restrict this boycotting to the Far East? Take Africa. Suppose a similar situation should arise between, say, Togo and Ghana? Or between Ethiopia and Somalia and Sudan; or between Kenya and Somalia and Uganda; or between Morocco and Mauritania; or between Senegal and Mali; or, worse still, between a number of the newly independent countries of Africa on the one hand and South Africa on the other?

Enough of this imagining. Let us hope that it is just a bad dream, and nothing like it will ever come to pass. But other countries of the world have the same right and the same ability to engage in boycott activities, as have the Arab countries to engage in boycotting of Israel. The acquiescence by the United States and others in the Arab boycott of Israel is an open invitation to other countries to go and do likewise. A word of caution. Before we dismiss as fantasy the examples I have just mentioned of other possible boycotts, let us not forget that in each of these cases there is a history of tension, past or present, and, in most of these cases, very much present.

Now let us briefly examine the reasons why such boycotting activities are undesirable.

1. It is a harassment and blackmailing of American business, an interference with their normal business activities. This argument needs no elaboration.

2. This boycotting activity is relatively more effective against smaller firms than larger. Without deprecating the ability, the wisdom, the courage, the strength, of American small business, it must be recognized that, overall, they do not have the sophisticated knowledge in international trade that the larger firms have; nor do they have services and products which are so important in international trade that they can feel reasonably confident that Arab States will continue to deal with them even though they defy boycott threats. Nor do they have the financial strength to be able to attempt to call the bluff of the Arab boycott. So the boycott threat works more of a hardship on the small firms than the large. The corollary is that the proposed denial of information to the boycott office will be a relatively greater boon to small and medium-size business.

3. Now we look beyond the effect upon the individual business firm. This boycott activity, by restricting the dealings of American business, is contrary to our export expansion program. In this connection, let us not be misled by the small size of Israel, and the small number of her inhabitants. U.S. export statistics show that in 1962, of total U.S. exports, exclusive of Public Law

480 agricultural products, to the 10 Middle Eastern areas, Israel imported 29 percent of this total, which was equal to the total of Kuwait and Saudi Arabia combined. In 1963, Israel's imports were 30 percent of the total, whereas Kuwait and Saudi Arabia combined received only 26 percent. These statistics are not quoted to provide a governing argument in this matter. They are specifically intended to rebut the comment of the State Department that the subject amendment would "seriously harm our sizable commercial relations with Kuwait and Saudi Arabia, with adverse effects on our already negative balance of international transactions." Such statement gives the clear impression that the trade of the United States with Kuwait and Saudi Arabia is substantially greater than with Israel. The facts indicate that the trade with Israel is as great as, or greater than, the trade with these two countries combined.

4. Such boycott activities tends to undermine the benefits of our foreign economic aid. On the one hand, we help foreign countries, including Israel and the Arab countries; on the other hand, we assist certain of these recipient countries to engage in economic warfare against another friendly recipient.

5. Such boycott activities are contrary to the principles of increasing freedom of international trade which the United States has espoused for many years.

6. This interference by a foreign country in the business relations of American firms with other foreign countries is in effect an interference with the sovereignty of the United States.

How effective would this amendment be in accomplishing its objectives? Obviously, it would deprive the boycotting agencies of a great deal of information which they could not otherwise obtain, and which information is necessary to enforce the boycott against firms doing business with Israel, or against firms doing business with other firms that do business with Israel. There are some business dealings which are open and for which no questionnaire is needed. If American firms have interests in Israel which result in hotels or manufacturing plants with well-known American names, this information is for all the world to see. But what about stock ownership, distribution agreements, technical know-how agreements? These and similar relationships are not matters of public record, and cannot be learned by boycotting authorities unless one of the contracting partners volunteers the information. So the proposed amendment, by preventing the disclosure of such information, denies to the boycotting authorities information on which they can carry out an effective boycott. Just as simple as that.

And what will its effect be upon American firms? It will relieve them of the indignity of having to answer such questionnaires or to provide such affidavits. It will relieve them of the necessity of making a distasteful and unnecessary and unbusinesslike decision; that is, a choice of doing business either in Arab countries or in Israel. Thus, it saves them from being forced to give up involuntarily business which they obviously desire to maintain. This provides a definite assist to the American businessman; and, of course, to the whole picture of American exports, and the American export trade surplus, and the American balance-of-payments situation.

These antiboycott provisions of the pending legislation will apply to all countries that would attempt to use them against American firms. They would apply to Israel if Israel ever were to attempt to use similar tactics. Contrary to the impression that may have been left with you by previous witnesses, I want to inform the members of this committee that Israel does not practice counterboycott measures against the Arab countries. In response to my recent written request to the Embassy of Israel, Washington, D.C., their letter dated May 12, 1965, reads in part as follows:

"The Israel Government is committed to a policy of international trade, free from any restrictions arising from political considerations. Therefore, neither the Israel Government nor any Israeli business firm seeks information from foreign companies with respect to their operation in Arab countries. I am, therefore, able to answer your first question in the negative without qualification."

The real harm and effectiveness of the boycott is not only in the instances of actual boycotts against American firms which have refused to yield to boycott blackmail, but in the atmosphere that the boycott creates, the atmosphere of intimidation and blackmail, which serves to discourage American firms from continuing or seeking business relations with Israel. This is why it is difficult

to assess the harmful effects of the current Arab boycott against Israel, even if it were possible to query business firms and get responses from them. It is not only the business that has been lost in Arab countries by American business firms which refuse to knuckle under. It is, rather, the business that American firms could have been doing with Israel if they were not deterred by the threats of the Arab boycott.

Since impressions have been left with this committee that this bill, when passed, will create all sorts of hardships, let us be clear as to what this bill will not do:

1. This bill will impose no burden on the Department of Commerce. Commerce will not need to set up a policing force. All that will be needed will be for Commerce to prepare the usual regulations then to advise inquiring businessmen of the meaning of the law.

2. This bill will require no affirmative optional action by Commerce or State, or by the President. Its purpose is to prohibit affirmative action by American businessmen. The only affirmative action by the executive branch of the Government will be to advise American businessmen that they are not permitted to supply certain information. It may not be a source of pride to us, but the fact is that this bill is limited, that it is negative and not positive. This bill does not refer in its wording to the immorality of the Arab boycott of Israel, nor to the fact that this violates the U.N. cease-fire. It does not go to the heart problems of the Arab-Israel situation; such as the refusal of Arab governments to recognize Israel, or to negotiate with Israel, or to permit the resettlement of Arab refugees from Palestine out of their 17-year-old refugee camps. This bill deals only with boycotting activities in general terms.

3. This bill will not tie the hands of the President. It requires no action on his part. It does not affect our export control procedures, the operations of our foreign aid program, or other aspects of our international economic and political activities.

4. This bill will not, as curiously stated by some witnesses, restrict the freedom of choice of American firms in dealing with the Middle East. Under present conditions, American firms are put on notice that they must choose between Israel and the Arab countries. Apparently, the administration's spokesmen are content to continue this situation wherein American firms are dictated to by foreign governments. The subject bill would not require them to choose. It would not require them to trade with Israel, or to trade with the Arab countries, or to trade with both, or to trade with neither. It does not tell them what to do, or what not to do about dealing in the Middle East. It offers no interference with the usual freedom of operation by American business firms. On the other hand, by preventing them from cooperating with boycott procedures, it gives American businessmen the added freedom of doing business with both parties.

Objection has been raised that this amendment would be inconsistent with some other actions of the U.S. Government: In particular the soliciting of information from foreign firms about possible "dumping"; the soliciting of information from foreign governments and firms as part of our program of economic denial directed against Cuba, North Vietnam, North Korea, Communist China. Let us examine these in order.

In respect to information concerning "dumping," this is a common practice with many countries which, like the United States, have antidumping regulations. Such requests for information from foreigners are common. While the businessmen being asked questions may not be too happy about having to supply trade information to agencies of foreign governments, they understand the reasons, and they do comply, and they know that this is common practice. Furthermore, these practices are engaged in by each country to protect its own internal economy. They are not directed against third countries. They do not attempt to interfere in the trade between the foreign country concerned and any other foreign countries. They do not involve any threats or any black-listing. The only thing that the two situations have in common is that a country, it may be the United States, seeks information from the national of another foreign country. Beyond that, the resemblance ends.

Now comes the more involved matter of our trade inquiries in our program of economic denial against certain countries whom we consider not too friendly to the United States. There are many differences between such inquiries by the United States and the boycott information which would be prohibited under the proposed legislation.

In the first place, and this is a most important difference, the United States aims to prevent the transshipment of its own goods from foreign countries to certain third countries. In the boycott activity with which this bill is concerned, foreign countries are trying to prevent business relations between two other countries in goods and services that are not the product of the boycotting countries.

A second difference: The United States tries to control the transshipment of its own goods by foreigners who, by U.S. regulations, have been put on notice by their American suppliers that such goods are not to be transshipped; so that the foreign firms would in effect be breaking a contract with their American suppliers. On the other hand, the Arab boycott office tries to prevent American firms from engaging in business dealings with Israeli firms, which dealings have no direct relationship to any Arab country or firm.

A third difference: The implementation is different. The current Arab boycott of Israel consists of threats against individual firms. The U.S. program consists of persuasion; and principally with foreign governments rather than with individual firms.

A fourth difference: If the foreign firm violates the American export control law and its contract with its American supplier, by transshipping contrary to understanding, the penalties imposed by the U.S. Government are administrative penalties, tailored to the situation, which involve curtailment of export license privileges for a stated limited period of time. The U.S. Government does not threaten or impose a total blacklisting of the foreign firm.

Whatever persuasion the United States may use with foreign firms, or whatever administrative penalties it may impose in some few cases upon those foreign firms which break their contractual agreements with American suppliers, these are related to American goods. If a European manufacturer delivers buses or trucks to Cuba, the U.S. Government does not penalize that European manufacturer, nor does it blacklist him from doing business in the United States. It is most important to remember this, for an ambiguous impression has been given to this committee by the statement that the U.S. Government "has asked them not to do business with Cuba."

In regard to the matter of shipping, which has been specifically mentioned before this committee, the similarities are less than the dissimilarities.

The Arab boycott office does not permit a ship to call at an Arab port if it calls at an Israeli port on the same voyage. The U.S. Government does not prevent ships which trade with Cuba from calling at American ports, from discharging cargo and loading cargo. Its only restriction is that such ships calling at a Cuban port may not carry cargo financed by the U.S. Government.

So the attempt to draw parallels is a tenuous one. Yet, there may be some areas where there is a limited overlapping of some of our actions in trade denial with some of the actions of the Arab boycott office against Israel. But if the U.S. Government were to withhold any action because it might in some respect be inconsistent with some aspect of another action, it would never do anything. One need not preach inconsistency in economic and foreign policy to recognize the wisdom of Ralph Waldo Emerson's words: "A foolish consistency is the hobgoblin of little minds, adored by little statesmen and philosophers and divines."

But what of the argument that this bill would encourage some of our friends overseas to take similar action to withhold trade information from us in our program of economic denial against certain not too friendly countries? If certain firms or certain countries friendly to us, do not wish to supply such information to us, they will not do so; and they will find a stronger explanation on which to hang their hats than the fact that the United States has passed his antiboycott bill. It would be transparent that such an explanation was only an excuse and not a reason. And, if it were not this excuse, it would be another one. We have a good case in point. In the recent past, the U.S. Maritime Commission has been seeking certain trade information from certain shipping lines domiciled in the United Kingdom. These British firms did not want to give this trade information to this agency of the U.S. Government. The purpose of the U.S. Government was not to foster a boycott, not to hamper trade, not to interfere with the trade of these British firms with third countries. It was the apparently laudable purpose of equalizing freight rates, which required information as to what the freight rates were. We know what happened. The British Government prohibited these United Kingdom shipping companies from providing the information. The United Kingdom did not need

to look for similar action on the part of the United States to justify its unilateral action. It is clear that each of these friendly countries will cooperate with us in supplying trade information as each sees fit, whether we have or have not laws which prohibit the supplying of boycott information by American firms.

It has been said that the United States doesn't want to get involved in this Arab-Israel quarrel; that the United States should remain "neutral." But the United States cannot avoid involvement. Inaction by the United States becomes an act of omission, which permits the boycott activities to continue, thus becomes a positive involvement in support of the boycott. This is a case where silence gives assent. The United States must make a decision. The United States must decide whether it will protect its businessmen from the boycott, or leave them exposed. In the case of the boy and the girl, when the time comes to ask the question, inaction on the part of the boy is a decision for bachelorhood. Similarly the U.S. Government is making a decision, whether by action or inaction. Either it performs the act of commission, which will protect American business; or it performs the act of omission, which supports the boycott.

Mr. ASHLEY. Thank you, Mr. Fain, for an excellent statement.

I think at this point we will ask other members of the panel if they wish to proceed extemporaneously for a few moments to summarize, and I do mean "summarize," the content of their prepared statements? I say that because we are working against a bit of a time deadline here. The committee is anxious to have your full testimony but we are also anxious to get to an executive session where we can take the entire matter under advice.

Miss Bramlette, did you wish to be heard from?

Miss BRAMLETTE. Yes.

**STATEMENT OF EVA BRAMLETTE, FOREIGN TRADE EXCHANGE,  
DALLAS, TEX.**

Miss BRAMLETTE. Mr. Chairman and members of the committee, my name is Eva Bramlette. My home and my business are in Dallas, Tex.

I am very glad to have the privilege to appear here and to tell you why I would like to see this amendment passed.

About 25 years ago, my sister and I organized an importing company in Dallas, Tex., known as Foreign Trade Exchange. We started in a very small way but we managed to grow, increasing our business dealings with a number of countries. We became fairly well known. But I feel sure that, if restrictions of the kind imposed by the Arab States had been imposed on us at that time, we not only would not have grown but probably could not have continued at all.

So in behalf of all small businesses, and especially new and struggling ones, I want to do anything I can to help get this amend-

ment passed. I feel that our Government should protect American business in foreign markets. And small firms which want to import from any country should be able to do so without interference or threats.

I have here a letter from the League of Arab States Boycott Office, which they sent to us when they learned we were buying knit suits and gloves from Israel. We were surprised and shocked when we got this letter. We could not believe that our Government would allow foreign governments to threaten us in this way and to ask for information about our private business dealings. Of course, we did not reply to this letter. We did not think that they had any right, legally or morally, to ask these questions or to request a promise from us, as they did, not to buy Israel products in the future.

As for me, I have had pleasant and profitable relations with Israel firms and I want to continue doing business with them. I do think my Government should help me to do this without threats and I believe this is exactly what the antiboycott amendment would accomplish. Should the occasion arise, I would also like to be able to buy items from the Arab countries without having to give up buying from Israel.

I would like to add that I believe all Americans love peace and are willing to work for peace. But this boycott only increases strife and is an impediment to peace. Therefore, I would like to see it end and I believe that the enactment of this amendment would do just that.

Mr. ASHLEY. Thank you, Miss Bramlette. Do you have a copy of the letter that you received from the League of Arab States?

Miss BRAMLETTE. Yes; I have it here. It says here:

We wish to inform you that we have acquired reliable information to the effect that you are a member of the Joint American-Israel Chamber of Commerce.

Mr. ASHLEY. I think your testimony would be more complete if that were inserted in the record following your statement, Miss Bramlette.

(The document referred to follows:)

LEAGUE OF ARAB STATES  
Secretariat General  
CENTRAL OFFICE FOR THE BOYCOTT OF ISRAEL

Your Ref.: 8220  
Our Ref.: 4082/S/64/

Damascus, Syria, 26 SEP 1964  
P.O.B. 437

Foreign Trade Exchange  
702-6 Merchandise Mart.,  
DALLAS, Texas,  
U.S.A.

Gentlemen:

We wish to inform you that we have acquired reliable information to the effect that your company imports women's wear from Israel.

In this regard, we believe that it is of mutual interest to both of us to draw your attention to the fact that the Arab countries are still in a state of war with Israel which usurped a dear part of the Arab homeland, dispersed its inhabitants, deprived them of their properties and possessions and failed to comply with any of the resolutions of the United Nations. Therefore, as a measure of selfdefence and with the view to safeguarding the rights and the vital interests of the Arabs of Palestine, the Arab countries strictly adhere to a set of boycott rules directed at Israel. In brief, these rules prohibit Arabs from entering into any sort of dealings with Israeli natural or artificial persons. They also prohibit dealings with foreign natural or artificial persons who contribute to the promotion of Israel economy or war potential through any of the deeds defined by the Boycott Law and Regulations or Principles. Violation of these regulations entails the boycott of violators in all Arab countries.

However, before any action is taken against your firm, and intending to demonstrate the good faith of the Arab countries, we find it beneficial for you, as well as for us, to contact you directly so that you may inform us of the nature of the dealings of your firm with Israel. This will have to be done in the form of a declaration duly certified by your chamber of commerce or industry or executed before a notary public in your place of business and authenticated by the closest Consulate or Diplomatic Mission of any Arab country. The required declaration will have to contain complete answers to the following questions:

- 2 -

- Do you have any branch, office or agency in Israel? Please state the nature of its activity.
- Do you act as general agents of Israeli companies or import Israeli products particularly, women's wear?
3. Have you ever owned shares in Israeli firms or businesses?
4. Is your firm or any of its directors a member of any foreign-Israeli chamber of commerce in Israel or abroad?

If your answer is in the positive, you will then be kindly requested to present the following:

- a) An official copy of your agency or any agreement with any Israeli company, provided that it should be duly certified by your chamber of commerce or industry or executed before a notary public and authenticated by any Arab consulate in your country.
- b) Documentation proving that you have terminated the agency or any agreement and showing the consent of the Israeli side to such termination. Such documents have to be duly certified as outlined above.
- c) An undertaking to the effect that you will never represent Israeli companies in the future or import their products.

In this connection, we wish to point out that you certainly know that dealing is a contract and the contract is the law of the contracting parties. Each party have the right to provide for the terms he find interesting for him while the other party have the right to accept or refuse such terms.

I hope that you will understand the considerations which render this request which is basically aimed to the interest of your company and that you will not consider it, according to misleading Zionist propaganda, as an attempt to exert pressure on you or interference in the affairs of your company. On the contrary, the Boycott Apparatus do not absolutely think of that. Our sole aim is to avoid stopping trading with your company without giving it a fair chance to explain the motives for that action and try to eliminate them if you find this fit for you, since the whole matter is left for your judgement.

If you find that your interests are in dealing with the Arab countries, which gives us much pleasure, we hope that you will furnish us with the above requested documents duly certified as outlined above, within a period of three months from this date.

But if you will choose, in spite of our above statements, not to take any step proving your willingness to continue trading with the Arab states and your understanding of the compelling considerations which render these measures, the Boycott Apparatus upon the expiration of the specified time-limit will be forced, with deep regret, to recommend banning transactions with your company.

Very truly yours

*M. M. Mahgoub*  
Mohammed Mahmoud Mahgoub,  
Commissioner General

Central Office for the Boycott of Israel

**STATEMENT OF MAXWELL M. RABB, PRESIDENT, AMERICAN-ISRAEL CHAMBER OF COMMERCE AND INDUSTRY, INC.; ACCOMPANIED BY PARKE W. W. MASTERS, DIRECTOR**

Mr. ASHLEY. Mr. Rabb?

Mr. RABB. Mr. Chairman and members of the committee, I will submit a statement, but I would like to give you some excerpts from the testimony. I will be brief.

My name is Maxwell M. Rabb, of New York City. I represent the American-Israel Chamber of Commerce & Industry, Inc., which I serve as national president. The American-Israel Chamber of Commerce, which is the largest binational chamber of commerce in the United States, is an independent organization, incorporated under the laws of the State of New York, with the basic objective of expanding commercial and economic ties between the United States and Israel. Our membership, which is composed of leading American businessmen and firms, is nationwide with active chapters in many of the principal cities in the United States.

Our organization is not political in purpose. It is not an organization that pursues political objectives. What it is is an independent American association, solely concerned with the building of a healthy commercial and industrial relationship between two friendly countries.

We are troubled, however, by the fact that in our efforts to develop increased American exports, we encounter unwarranted foreign intervention that attempts to dictate to American businessmen with whom they shall or shall not conduct their business.

We are not advocating any economic reprisals against Arab nations that seek to coerce American firms to engage in a restrictive trade practice. We wish expanded American economic relations with both the Arab nations and Israel.

The issue is not whether some nations are right in boycotting a third nation, or whether or not that nation is harmed. The issue is whether we can permit American firms to be coerced into being parties to a foreign economic war. The amendment now before you aims to prevent this, and to give U.S. companies the shield against such involuntary involvement; for obviously any firm can voluntarily choose to do or not to do business with another firm or country.

Just a few facts about trade between Israel and America, which many do not realize has become a significant factor in the American economy.

After Canada, Israel is the largest per capita customer that the United States has. It is a matter of record that the average Israeli citizen purchases, annually, \$72 worth of American exports; while the per capita consumption by Americans of Israel products is 22 cents per year. Moreover, there is a vastly more favorable balance of payments for the United States in the trade that exists between the two countries.

Out of the 10 Middle Eastern countries, tiny Israel alone is absorbing over 30 percent, a figure that is growing with each passing year—30 percent of the total exports to the entire Middle East. Therefore, it is unfair to permit restrictive trade practices, imposed by Arab countries on American citizens—on our very soil—to be used against

another friendly nation. An example of one of these unwarranted practices is to be found in the case of the organization I represent.

We believe that we have done a creditable job in advancing our country's economic interests. Yet we find ourselves harassed by certain foreign offices and governments, who make it an "offense" to be a member of our chamber of commerce. The Arab Central Office for Boycotting of Israel actually demands that American businessmen disclose whether they hold membership in our organization. Resignation from the American-Israel Chamber of Commerce is a condition for avoiding blacklisting.

Mr. Chairman, with your permission, I would like to submit two letters which bear this out.

Mr. ASHLEY. Without objection.

(The documents referred to follow:)

**League of Arab States**

SECRETARIAT GENERAL  
Central Office for the Boycott of Israel

P. O. B. 111  
RAMADAN - SYRIA

Our Refs: 244/251/5004  
Date: October 31, 1954

**Granleaf Textile Corp.**  
225-27 Fourth Avenue  
New York 3, N.Y.

Gentlemen:

We wish to inform you that we have acquired reliable information to the effect that you are a member of the Joint American - Israel Chamber of Commerce.

In this regard, we draw your attention to the fact that the Arab countries are still in a state of war with Israel. Therefore, as a measure of self-defence and with the view to safeguarding the rights and the vital interests of the Arabs of Palestine, the Arab countries strictly adhere to a set of boycott regulations directed at Israel. In brief, these regulations prohibit and Arab from having any dealings whatsoever with any Israeli person or business, or with foreign persons or firms maintaining such dealings with Israel. Violation of these regulations entails the blacklisting of violators in all Arab countries, with the result that all commercial transactions with such violators are banned.

However, before any action is taken against your firm, we deem it necessary that we contact you directly in order to ascertain the nature of the dealings of your firm with Israel. This will have to be done in the form of a declaration duly signed before the competent governmental authorities and should also bear a final authentication to the signature of the authorized representative of your firm appended thereto by the closest Consulate or Diplomatic Mission of any Arab country. The required declaration will have to contain complete answers to the following questions:

1. Do you now, or did you ever have branch factories in Israel? In case you did in the past, or do now, please define the relationship of such branch with your company.
2. Do you now, or did you ever have assembly plants in Israel?
3. Do you now, or did you ever have in Israel general agencies, or head offices for your Middle Eastern operations?
4. Have you ever granted the right of using your patents, trade marks, copyrights etc., to Israeli persons or firms?
5. Have you ever owned shares or any other interest in Israeli firms or businesses?
6. Have you ever rendered any consultative services or technical assistance to an Israeli firm or business?
7. Do you now, or did you ever represent any Israeli firm or other business in your country or elsewhere? In case you

## League of Arab States

SECRETARIAT GENERAL  
Central Office for the Boycott of Israel

Greenleaf Textile  
Coast

2. 12. 1961  
BAMMAH - SYRIA

October 31, 1961

- 2 -

- in the past, or do now, please furnish us with the names and addresses of such Israeli firms or businesses.
8. Do you have a branch of yours in Israel? In case you have, please define the relationship of such branch with your company.
9. Are you still a member of the Joint American-Israel Chamber of Commerce?

If, in the light of the answers to the said questions, it turns out that you have any dealings with Israel in the aforementioned forms, then, under the Israel Boycott Regulations, now in force in all Arab countries, the name of your firm will be blocklisted in all these countries. Consequently you will be denied access to the extensive Arab markets and all transactions with your business will be banned.

We earnestly hope that you will choose to keep your commercial relations with the Arab countries in good standing, rather than to impair your free access to the Arab markets. If you decide to adopt this course, then you will have to repudiate any standing agreement between your firm and any Israeli firm or business within the forms mentioned above in questions 1 - 8. You will also have to furnish us with documentary evidence to this effect, including copies of all such revoked agreements and certified copies of the instruments of repudiation. As to question 9 above, you will have to withdraw your membership of the said Chamber and also to furnish us with an additional document to this effect, provided that such document be also certified as stipulated above.

In this connection, we would like to draw your attention to the noteworthy fact that, under the effective Israeli Boycott Regulations, failure to submit the required documents within a period not to exceed January 31, 1962 will automatically lead to taking action against your firm, as provided for by the said regulations.

Finally, we do hope that you will find it appropriate to maintain your commercial relations with the Arab countries. It is also our sincere hope that you will extend sympathetic understanding of the compelling considerations which render these measures mandatory.

Very truly yours

*Dr. Abdul Karim al-Ahidi*  
Commissioner General

Central Office for the Boycott of Israel

*Att. Arab States*

**ARAB STATES**  
 SECRETARIAT GENERAL  
 CENTRAL OFFICE FOR THE BOYCOTT OF ISRAEL

*FILE*

Kluger Associates, Inc.  
 250 West 57 Street  
 New York 19, N.Y.

*Your Ref.*

*Our Ref.: 1701/2/62/336*

Damascus, Syria, June 12, 1962  
 P. O. B. 437

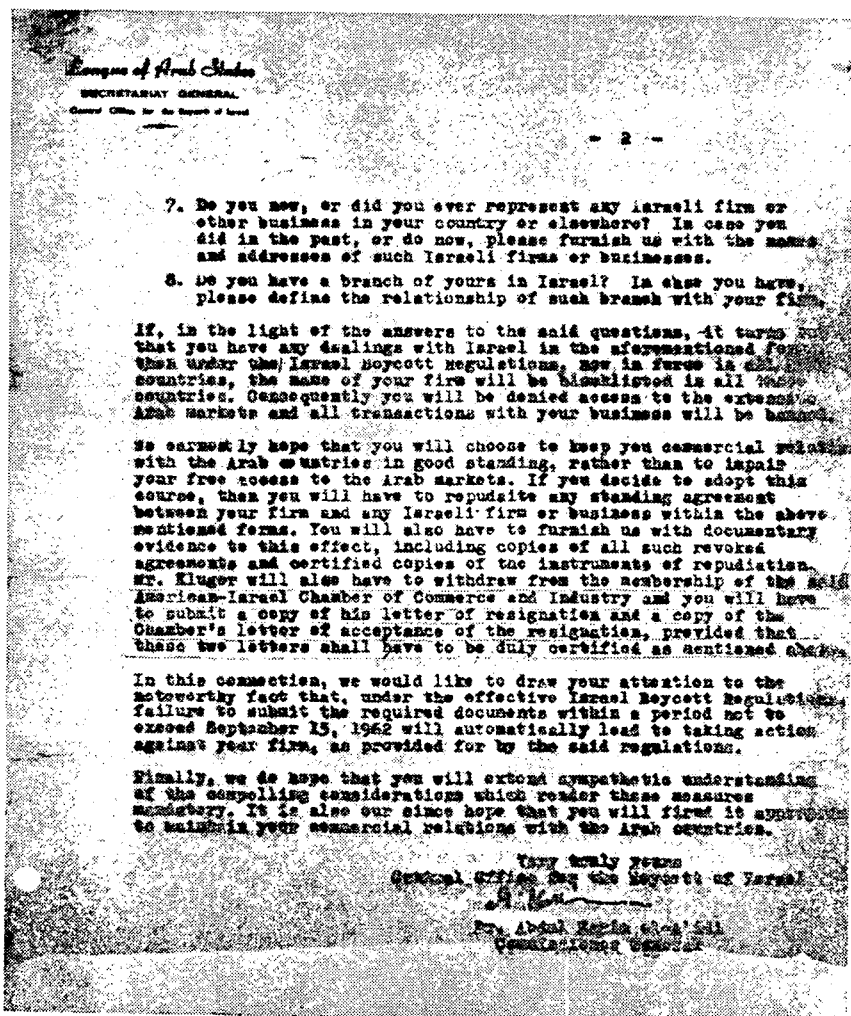
Gentlemen:

We wish to inform you that we have acquired reliable information to the effect that Mr. David Kluger, the president of your company is acting as a treasurer of the American-Israel Chamber of Commerce and Industry.

In this regard, we draw your attention to the fact that the Arab countries are still in a state of war with Israel. Therefore, as a measure of self-defence and with the view to safeguarding the rights and the vital interests of the Arabs of Palestine, the Arab countries strictly adhere to a set of boycott regulations directed at Israel. In brief, these regulations prohibit any Arab from having any dealings whatsoever with any Israeli person or business, or with foreign persons or firms maintaining such dealings with Israel. Violation of these regulations entails the blacklisting of violators in all Arab countries with the result that all commercial transactions with such violators are banned.

However, before any action is taken against your firm, we deem it necessary that we contact you directly in order to ascertain the nature of the dealings of your firm with Israel. This will have to be done in the form of a declaration duly signed before the competent governmental authorities and should also bear a final authentication to the signature of the authorized representative of your firm appended thereto by the closest Consulate or Diplomatic mission of any Arab country. The required declaration will have to contain complete answers to the following questions:

1. Do you now, or did you ever have branch factories in Israel? In case you did in the past, or do now, please define the relationship of such branch with your company.
2. Do you now, or did you ever have assembly plants in Israel?
3. Do you now, or did you ever have in Israel general agencies or head offices for your Middle Eastern operations?
4. Have you ever granted the right of using your patents, trademarks, copyrights etc., to Israeli persons or firms?
5. Have you ever owned shares or any other interest in Israeli firms or businesses?
6. Have you ever procured commercial services as channels of communication or as Israeli firms or businesses?



Mr. RABB. Many American business concerns have repeatedly urged the American-Israel Chamber of Commerce & Industry to make manifest their conviction that American business must be safeguarded from foreign intimidation and restrictive practices. It is on behalf of such concrete considerations, as well as the basic principles of American free enterprise, that we respectfully request this committee to favorably report the amendment.

Mr. ASHLEY. Thank you, Mr. Rabb.

(The complete statement of Mr. Rabb follows:)

STATEMENT BY MAXWELL M. RABB, PRESIDENT, AMERICAN-ISRAEL CHAMBER OF COMMERCE & INDUSTRY, INC.

Mr. Chairman and members of the committee, my name is Maxwell M. Rabb, of New York City. I represent the American-Israel Chamber of Commerce & Industry, Inc., in which I serve as national president. The American-Israel Chamber of Commerce is an independent organization, incorporated under the laws of the State of New York, with the basic objective of expanding commercial and economic ties between the United States and Israel. Our membership, which is composed of leading American businessmen and firms, is nationwide with active chapters in many of the principal cities in the United States.

It is in the interest of insuring a continuing growth in American-Israel trade and commerce that the organization I represent respectfully submits that the legislation which would amend the Export Control Act of 1949, presently before you for consideration, should be reported on favorably. We believe that this proposed amendment will be a valuable aid in the development of American trade, as it will serve to keep the American business community out of foreign disputes to which our country and our economy are not a party.

Our organization is not political in purpose. It is not an instrument for the spreading of nationalistic propaganda. What it is is an independent American association, solely concerned with the building of a healthy commercial and industrial relationship between two friendly countries.

We are troubled, however, by the fact that in our efforts to develop increased American exports, we encounter unwarranted foreign intervention that attempts to dictate to American businessmen with whom they shall or shall not conduct their business.

Unfortunately, this foreign intimidation of the commercial community of the United States has resulted in the unfair restraint of American foreign trade—with attendant deep cuts in the amount of our exports. Moreover, a concern that capitulates to Arab demands, actually serves as the best advertisement for the intimidation.

We are not advocating any economic reprisals against Arab nations that seek to coerce American firms to engage in a restrictive trade practice. We wish for expanded American economic relations with both the Arab nations and Israel.

The issue is not whether some nations are right in boycotting a third nation, or whether or not that nation is harmed. The issue is whether we can permit American firms to be coerced into being parties to a foreign economic war. The amendment now before you aims to prevent this, and to give U.S. companies the shield against such involuntary involvement; for obviously any firm can voluntarily choose to do or not to do business with another firm or country.

It is not generally realized that trade between the United States and Israel has become a significant factor in the American economy. After Canada, Israel is the largest per capita customer that the United States has. It is a matter of record that the average Israeli citizen purchases, annually, \$72 worth of American exports; while the per capita consumption by Americans of Israeli products is 22 cents per year. Moreover, there is a vastly more favorable balance of payments for the United States in the trade that exists between the two countries.

Tiny Israel is absorbing over 30 percent—a figure that is growing with each passing year—of the total exports to the entire Middle East. Therefore, it is unfair to permit restrictive trade practices, imposed by Arab countries on American citizens—on our very soil—to be used against another friendly nation. An example of one of these unwarranted practices is to be found in the case of the organization I represent.

We believe that we have done an excellent job in advancing our country's economic interests. Yet, we find ourselves harassed by certain foreign offices and governments, who make it an "offense" to be a member of our chamber. The Arab Central Office for Boycotting of Israel actually demands that American businessmen disclose whether they hold membership in our organization. Resignation from the American-Israel chamber is a condition for avoiding blacklisting.

More than 250 American firms are participating in Israel's economic growth through the supply of equipment, products, and know-how. As a consequence, Israel today serves as a proud example of how reciprocal benefits can be achieved between the United States and a developing nation. This many faceted investment of industry and good will merits the protection of our Government.

Many American concerns have repeatedly urged the American-Israel Chamber of Commerce and Industry to make manifest their conviction that American business must be safeguarded from foreign intimidation and restrictive practices. It is in behalf of such concrete considerations, as well as the basic principles of American free enterprise, that we respectfully request this committee to favorably report the amendment.

Mr. ASHLEY. Mr. Dreyer?

**STATEMENT OF EDWARD DREYER, ADAMAS CARBIDE CORP.,  
KENILWORTH, N.J.**

Mr. DREYER. My name is Edward Dreyer, a proud constituent of Congresswoman Dwyer. I would like to leave the statement that I have submitted stand as written. I think Mr. Fain and Mr. Rabb have spoken convincingly of the broad general impact of the Arab boycott. I would simply like to state the situation of an individual manufacturer and his experience with the Arab boycott.

We received such a letter several years ago as a result of our doing business with a licensee in Israel. We ignored the letter, as I think a majority of American businessmen would, as a matter of morality, not a matter of expediency. I might add that since our original relationship with the Israel licensee, it has expanded into a joint venture in Holland which has grown with equal success and we are very happy and proud as well of our relationship with Israel.

Taking the other side of the coin, what has our relationship been with the Arab League countries? It has been virtually nil on the record. We have had no opportunities directly to do business with the Arab League countries for our products which are generally used in the metalworking industry and the mining industry and industry in general. It cannot be just coincidence that we can do business with just Israel and not with the Arab League countries. So certainly this has had an impact on us. Recognizing perhaps that the Arab League countries are not as industrialized as Israel, perhaps unwittingly we have taken the best of the bargain by choosing to do business with Israel and ignore the Arab League countries.

However, currently we are feeling the impact in a left-handed way. We are negotiating a very substantial licensing agreement with a Moslem country not a member of the Arab League. However, as Mohammedans, they have a very loose but nevertheless definite connection with the Arab League countries. We feel as if we are treading on eggs in this relationship or in this planned relationship, because factually, our competitors both here in the United States and in Europe could make harvest of the fact that Adamas Carbide is blacklisted, boycotted by the Arab League countries. So it is something we do not rub the noses of our prospective licensee in.

On the other hand, someone might choose to do so, putting us, I think, at an unfair disadvantage.

We are planning to do business with an oil-drilling company in one of the Arab League countries. This we have to do through a

third party who will extract a pound of flesh on both sides of the deal, I am sure, putting not only ourselves but our ultimate customers at a real disadvantage.

I do not think there is anything more I can add, other than that both personally and selfishly as a businessman, I am opposed to the effect of the Arab boycott and more broadly as a matter of business ethics and morality, I think the Arab boycott should be outlawed in the United States.

Mr. ASHLEY. Thank you, very much, Mr. Dreyer.

(The complete statement of Mr. Dreyer follows:)

STATEMENT OF E. L. DREYER, ADAMAS CARBIDE CORP.

My name is Edward L. Dreyer, a graduate of the University of Virginia with a B.S. in commerce. Have had 4 years of sea duty during World War II, being honorably retired as a full lieutenant. I am a past national vice president and director of the Young Presidents' Organization; director and past president of the Employers Association of North Jersey; as well as being an active director of three corporations and several nonprofit organizations including the New Jersey Council on Economic Education, the Boy Scouts, and the Anti-Defamation League.

I joined Adamas on leaving the Navy in November 1945. Then 2 years old, it had three employees and annual sales of \$15,000. We were located in a 2,500-square-foot garage in Long Island City, N.Y. Adamas now has 160 employees, annual sales at a current rate of \$3,500,000, operating from an award-winning plant in Kenilworth, N.J., and sells its products both in the United States and internationally. These products are tungsten carbide tools, tips, dies, wear parts, and powder. Tungsten carbide is the hardest metal made by man. It is primarily used in the metalworking industry for cutting tools, mining tools, wire-drawing dies, and an infinite variety of wear parts ranging from spray nozzles through truck valve lifter disks, since it outwears steel by as much as 50 times.

About 15 years ago a Texas carbide tool manufacturer came to us with a problem. He was over a thousand miles from the nearest carbide manufacturer and was unable to get the delivery and service he required. We worked out an arrangement whereby we gave him free technical assistance over a period of years in return for an exclusive contract for his "ready to press" tungsten carbide powders. This initial license worked out so well that a competitor of ours bought him out and paid off on our contract.

This experience stimulated our thinking. If a license arrangement could work out so well within the confines of the United States, perhaps it might be attractive overseas as well. We had been unable to sell our hard metal end product in foreign markets due to lower prices based on cheaper labor.

Our first oversea licensee was in Geneva, Switzerland. This licensee continues to buy his powder requirements from us after the expiration of his initial 10-year obligation to purchase exclusively from Adamas.

In 1956 we were approached by Mr. Stef Wertheimer, managing director of Iscar, Ltd., an Israeli firm manufacturing carbide tools. Both they and their customers were seriously hampered by the long delays and high costs involved in filling their carbide needs from Western Europe. The original agreement, arrived at during the stress and pressure of the Suez crisis, has been fulfilled and renewed for a second term.

Our relations with Iscar have been on a continually satisfactory basis, both personally and financially. Convinced of their reliability and competence, we joined with them 3 years ago in a joint venture in Holland, which is operating profitably.

Our export effort resulted in our being one of the first companies to receive the President's E for Export Award in 1962.

About 3 years ago we received a letter from Damascus putting us on notice that unless we ceased to do business with Israel within a stated period and so indicated this intention in writing, we would be boycotted in all Arab countries. The letter and its threat were ignored.

As a native-born U.S. citizen and businessman, I strongly object to this unwarranted harassment. The whole principle of a boycott of a third country

through the intermediary of the U.S. businessmen involves setting of a dangerous precedent. If allowed to succeed it would invite innumerable opportunities for other countries to try to injure enemies through economic boycott threat to American businessmen.

This boycott puts American chambers of commerce and trade associations into the unpleasant, uncomfortable, and unwarranted position of being the tool of the Arabs and, undoubtedly other countries in the future, in their international disagreements. This is not the normal function of a chamber or trade association, yet they are pressured by members to perform this distasteful task.

In this regard, chambers of commerce in Great Britain, Italy, France, as well as the International Chamber of Commerce, have formally refused to go along with the demands of the Arab boycott, requiring certification of origin. Here in the United States, too, as a matter of principle, many chambers have refused to give this certification.

This lack of uniformity is confusing and imposes obvious difficulties in the free movement of goods in international commerce. Perhaps most important of all is the matter of principle involved, which I feel overrides all the valid justifiable economic bases for a strong stand against the Arab boycott. The discrimination within the U.S. business community, engendered by this boycott, is improper, immoral, and un-American. A firm rejection by the United States would do much to further strengthen the moral and ethical fiber of our business community.

The above are the general reasons for opposing the Arab boycott. I should like to relate these to our own specific export business experience.

Adamas has not had an opportunity to knowingly do business with any of the Arab League members. This undoubtedly puts us at a competitive disadvantage, not only against European manufacturers who are active in the Arab markets, but against other American carbide manufacturers who, for whatever reason, have chosen the easy way of going along with Arab pressure.

We have been approached by import-export firms purporting to be a vehicle for doing business with the Arab League members, wherein our own identity would be concealed. We have refused to resort to such subterfuge.

The opportunity to engage in negotiations for additional license agreements in the Arab world, have been made practically impossible by the existence of this boycott. We feel that if the intimidation were outlawed, and the questionnaires left unanswered, Adamas could successfully offer its services, without limit, internationally.

I strongly urge this committee to endorse H.R. 627 and companion bills, to eliminate the undesirable effects, both moral and economic, of the Arab boycott.

#### STATEMENT OF PARKE W. W. MASTERS, DIRECTOR, AMERICAN-ISRAEL CHAMBER OF COMMERCE AND INDUSTRY, INC.

Mr. ASHLEY. Mr. Masters?

Mr. MASTERS. Yes, sir, Mr. Chairman. I have a very brief statement which I am going to introduce for the record. I would like to read a couple of points.

I am Parke Masters of 29 Norwood Avenue, Summit, N.J. This is in Union County. We are very proud of Union County and of our Congresswoman from the Sixth District, Mrs. Dwyer, a member of the committee. We are also proud to have as residents of Union County, Senator Williams and Senator Case who have introduced bills in the Senate which are comparable to the bill in the House. I am appearing today for the American-Israel Chamber of Commerce. You have already heard from our President.

First, the answers demanded constitute an invasion of business privacy. Second, the affidavit requested violates American traditional policy of free trade with friendly nations. Also, to be considered is the fact that every time an American firm cooperates with

any foreign boycott, our export trade and our balance of payments are accordingly diminished.

In this bill, we recognize that the Congress cannot abolish by legislation any foreign boycott. What we are looking at here, it seems to me, is the mechanic of the boycott that is disturbing to American business concerns, namely, the questionnaires and affidavits.

Our board has long felt that there must be some means whereby the U.S. Government can protect its merchants from such harassment. Federal legislation is necessary because individual business concerns, large or small, can rarely afford the risk of defying a boycott threat unless they know their competitors are required to take the same risk.

Just a brief comment on two of the major objections that have been raised to the bill. One is that in carrying out the purpose of the Export Control Act, the United States engages in the same kind of activity this bill seeks to thwart. I thought our colleague, Mr. Fain, handled that extremely well. We believe this objection is not analogous, because while the United States seeks to prevent U.S. products from reaching certain unfriendly nations, our Government does not use questionnaires and affidavits to threaten foreign businessmen with a boycott in the United States for selling their own national products to those nations.

Another objection is that nations now engaged in boycott activities will be angry with the United States if our Government prohibits the answering of the boycott questionnaires. Our response to this is that such logic could lead to the conclusion that no law should ever be passed which might upset the perpetrator of the action the law is designed to stop.

On behalf of the American-Israel Chamber of Commerce, we deeply appreciate the opportunity to appear before you and the consideration you are giving to this bill. Thank you.

(The complete statement of Mr. Masters follows:)

STATEMENT OF PARKE W. W. MASTERS, DIRECTOR, THE AMERICAN-ISRAEL  
CHAMBER OF COMMERCE AND INDUSTRY, INC.

Mr. Chairman and members of the committee, I am Parke Masters, of 29 Norwood Avenue, Summit, N.J. I have worked in the field of international trade since 1940 and today have the honor of representing the American-Israel Chamber of Commerce. We are grateful to this committee for the opportunity to testify in favor of H.R. 627 and companion bills.

The American-Israel Chamber of Commerce is a national organization with regional chapters in New Jersey, Pennsylvania, Michigan, Ohio, Illinois, and California. Our membership includes almost every U.S. company trading in the Middle East. The main purpose of our organization is to foster the growing trade between the United States and Israel which now buys 30 percent of all U.S. products sold in the Middle East.

Realizing that this committee is fully informed on the background and practices of current boycott operations, my testimony concentrates on the value of H.R. 627 to the business community.

Our members have two principal objections to the questionnaire put out by the Central Office for the Boycott of Israel. First, the answers demanded constitute an invasion of business privacy; and, second, the affidavit requested violates America's traditional policy of free trade with friendly nations. Also to be considered is the fact that every time an American firm cooperates with any foreign boycott, our export trade and our balance of payments are accordingly diminished.

Our board has long felt that there must be some means whereby the U.S. Government can protect its merchants from such harassment. Federal legislation is necessary because individual business concerns—large or small—can rarely afford the risk of defying a boycott threat unless they know their competitors are required to take the same risk.

Passage of H.R. 627 will put a "Return to sender" stamp on the questionnaires and affidavits of every foreign boycott; and thus make clear that the U.S. Government will not permit its citizens to be harassed.

One would think that a bill which protects the privacy of our domestic business affairs—and which enables our businessmen to keep free of entanglement in foreign boycotts—would, on its own merits, be assured of endorsement. Nonetheless, fears have been expressed about H.R. 627.

We have studied the main objections and wish to comment as follows:

Objection No. 1. In carrying out the purpose of the Export Control Act, the United States engages in the same type of "boycott activity" this bill seeks to thwart.

Response. We believe this objection is not analogous because while the United States seeks to prevent U.S. products from reaching certain unfriendly nations—our Government does not use questionnaires and affidavits to threaten foreign businessmen with a boycott in the United States for selling their own national products to countries on our restricted list.

Objection No. 2. If we pass this law—other nations may follow suit.

Response. This objection is difficult to understand. Other nations can pass a similar law any time they wish.

Objection No. 3. The nations now engaged in boycott activities will be angry with the United States if our Government prohibits the answering of their boycott questionnaires.

Response. Under this logic no law should ever be passed which might upset the perpetrator of the action the law is designed to stop.

In conclusion, our chamber strongly hopes that an amendment to the Export Control Act—embodying the substance of H.R. 627 and companion bills—will be approved by this committee and enacted by this Congress. By so doing, the members of this committee and the Congress will deserve the gratitude of every citizen.

Mr. ASHLEY. Thank you, Mr. Masters.

Mr. Gallagher, do you have any statement you wish to make?

**STATEMENT OF JAMES J. A. GALLAGHER, MERRITT-CHAPMAN  
& SCOTT CORP., NEW YORK, N.Y.**

Mr. GALLAGHER. I think I had better explain my position. I am an attorney from New York City. I am a member of the same group of which Mr. Shea, to whom you referred earlier, is a member. One of our clients is the Merritt-Chapman & Scott Corp., and it was the intent of Merritt-Chapman & Scott Corp., to have one of their people testify here today. It is his statement which would appear in the record. A review of his record will indicate the fact that our client strongly shares the feeling that has been evidenced by the speakers, and I feel there is nothing I can add at this time.

Thank you, Mr. Chairman, for the opportunity to appear here.

Mr. ASHLEY. Thank you, Mr. Gallagher.

(The statement referred to follows:)

**STATEMENT BY MR. MYLES C. MCGOUGH, EXECUTIVE VICE PRESIDENT, MERRITT-  
CHAPMAN & SCOTT CORP.**

Mr. Chairman and distinguished members of this committee, my name is Myles C. McGough. I am the executive vice president of Merritt-Chapman & Scott Corp., 277 Park Avenue, New York, N.Y. Merritt-Chapman & Scott Corp. is a diversified industrial corporation which is engaged, among other activities, in the heavy construction business. Founded in 1860, the company has built

numerous dams, bridges, highways, factories and other major projects in the United States and in many foreign countries.

I appreciate the opportunity of appearing before this committee on behalf of Merritt-Chapman & Scott Corp. to testify in favor of H.R. 627.

My company strongly believes that the proposed legislation will help protect American concerns from the damaging and humiliating practices employed by certain foreign countries, which seek to use American industrial and business concerns as pawns in their economic warfare against other countries friendly to the United States.

One of the outstanding examples of this type of restrictive trade practice is the so-called Arab boycott of Israel, which seeks to compel American concerns not to do business with Israel, a country that has traditionally been friendly to the United States. It constitutes an invasion of the fundamental rights of American citizens, and has been branded—very correctly in our opinion—a form of “international blackmail.”

As this committee may already be aware, one of the devices used by the Arab boycott is to blacklist American concerns which do business with Israel, or which are disapproved by the Arab League for other reasons. American concerns are subject to the Arab boycott, for one thing, if they fail to cooperate with the boycott office by answering questionnaires and furnishing affidavits and undertakings.

Merritt-Chapman & Scott Corp. has been directly affected by this boycott since 1958. I accordingly feel that a brief review of our own experience will aid this committee in gauging the nature and effect of the restrictive trade practices which are condemned by the proposed bills.

Our company first learned that Merritt-Chapman & Scott Corp. had been blacklisted by the Arab Boycott Office via a brief Associated Press dispatch from Damascus that appeared in the New York Times of November 13, 1958. This was the only indication we had that our company had been blacklisted. We never received any official communication to this effect, nor were we ever given any reason for the action of the boycott office.

We can only assume that our company was blacklisted because Merritt-Chapman & Scott Corp. had constructed a papermill at Hadera, Israel, in the years 1951-53 for the American-Israeli Paper Mills, Ltd., and were managing an expansion project for the same mill in 1958. We have also received some roundabout, unofficial indication from certain Arab sources that our continued blacklisting may be due, at least in part, to the fact that some of the officers and directors of our company are of the Jewish faith.

As a result of the Arab boycott, Merritt-Chapman & Scott Corp. has been effectively barred since 1958 from seeking or accepting any construction work in any of the 12-member countries of the Arab League. We have no way of telling how much business this may have cost our company.

In two instances since 1958 our company was approached by potential customers with regard to construction projects in Arab League countries (Saudi Arabia and Kuwait), but were then precluded from submitting bids because of our blacklist status. In each instance, there were unofficial indications that we might be able to avoid the effect of the blacklist and obtain the contracts. However, a study of the situation convinced us that we would be at the mercy of the local boycott offices and that any contract we entered into might suddenly be broken off at the whim of some local boycott official.

In the two instances I have mentioned, the potential customers were evidently not aware when they initiated their approach to Merritt-Chapman & Scott Corp. that our company was on the Arab boycott blacklist. We have no way of telling, of course, how many other potential customers did not even trouble to contact us because of our being blacklisted, or how much business our company could have obtained had we been able to seek work on our own initiative.

Beyond the adverse effect on our business operations, the point our company wishes to stress is that such foreign boycotts represent a discriminatory invasion of the basic rights of American citizens and that the national interest requires our Government to institute protective action. It may be that we cannot entirely prevent a sovereign foreign government from imposing a boycott or blacklist of American businessmen. There is no reason, however, why our Government should not do everything in its power to make it difficult for such a boycott to function effectively.

My company believes that the proposed legislation is a step in the right direction in that it will, in effect, make it unlawful for American concerns to

cooperate with the unilateral boycott efforts of foreign governments. Prohibiting American businessmen from answering the boycott questionnaires of foreign governments, and giving the affidavits and undertakings demanded of them, will make it much more difficult for these foreign governments to enforce their restrictive trade practices. It will also make it easier for American businessmen to take a determined stand against this type of international blackmail. I am sure that this committee is aware of a number of recent cases where a firm and uncompromising stand by an American concern has compelled the foreign government in question to withhold or limit its boycott measures.

As a longtime victim of a foreign boycott, Merritt-Chapman & Scott Corp. urges the passage of H.R. 627. We believe that such legislation will have the effect of limiting existing boycotts of American businessmen and deterring future boycotts of a similar nature which might be contemplated by other countries.

Thank you for permitting me to express my company's views in this matter.

**STATEMENT OF FRANK D. FLAGG, VICE PRESIDENT OF SALES,  
REVLON INTERNATIONAL CORP., NEW YORK, N.Y.**

Mr. ASHLEY. Mr. Flagg, do you have something?

Mr. FLAGG. Thank you, Mr. Chairman.

Gentlemen, my name is Frank D. Flagg, I am vice president of sales for Revlon International Corp., a wholly owned subsidiary of Revlon, Inc., of New York and I have requested permission to appear here today in support of H.R. 627 and its companion, S. 948.

My complete statement is submitted for the record. I would like to boil it down to two comments in that statement.

As an American business concern, we are opposed to the principle of boycotts and do not wish to become a party to any boycott activity by any foreign nation against another foreign nation.

As I said at the outset, our interest is in the promotion of foreign trade and the encouragement of free enterprise in free markets. We are not concerned with and do not intend ever to become a party to any of the political affairs of the nations in which we do business.

The enactment of this legislation will guarantee all American businessmen that they can continue to promote overseas trade free of such political involvement. We support this measure and respectfully urge this committee to give it its favorable consideration.

Thank you for the opportunity of appearing before you in order to present these views.

Mr. ASHLEY. Thank you.

(The complete statement of Mr. Flagg follows:)

**STATEMENT OF FRANK D. FLAGG, VICE PRESIDENT OF SALES, REVLON  
INTERNATIONAL CORP.**

Gentleman, my name is Frank D. Flagg, I am vice president of sales for Revlon International Corp., a wholly owned subsidiary of Revlon, Inc., of New York, and I have requested permission to appear here today in support of H.R. 627 and its companion, S. 948.

Revlon International is in the business of producing and marketing cosmetic and toiletry products for markets throughout the free world. As a business concern, we are engaged in the export and sale of Revlon products that are produced both within the United States and at Revlon factories in various foreign nations or territories.

As an American business concern, we are opposed to the principle of boycotts and do not wish to become a party to any boycott activity by any foreign nation against another foreign nation.

Our interests are to promote free trade in a competitive market.

The proposed legislation before this committee would assure our company and hundreds of others like ours of a necessary safeguard from the unjustified en-

croachment upon its business activity by governments who would attempt to influence our internal business policies through the imposition of restrictive and discriminatory measures.

We do not believe that our free marketing activities should be subjected to such pressures, enabling foreign governments to utilize our company as a tool in the furtherance of their own foreign policies.

By the Congress providing that all U.S. business firms be prohibited from taking any action, including the furnishing of information or the signing of agreements which would have the effect of supporting the restrictive trade practices of one foreign nation against another foreign nation friendly to the United States, all American firms are protected from an unwarranted intrusion and disruptive influence upon the formulation of their overseas business practices.

The bill before this committee simply assures all American businessmen of the backing of the U.S. Government in their refusal to wittingly become a party to any practice by a foreign government that might be considered adverse to another foreign nation that is friendly to the United States.

This safeguard, permits American businessmen doing business overseas, the assurance that they will not be placed at a competitive disadvantage in resisting attempts toward political involvement in the affairs of foreign nations.

As I said at the outset, our interest is in the promotion of foreign trade and the encouragement of free enterprise in free markets. We are not concerned with and do not intend ever to become a party to any of the political affairs of the nations in which we do business.

The enactment of this legislation will guarantee all American businessmen that they can continue to promote overseas trade free of such political involvement. We support this measure and respectfully urge this committee to give it its favorable consideration.

#### STATEMENT OF JOEL R. JACOBSON, PRESIDENT, NEW JERSEY STATE INDUSTRIAL UNION COUNCIL OF AFL-CIO

Mr. ASHLEY. Mr. Jacobson?

Mr. JACOBSON. Thank you, sir. I have a very brief statement to submit. I will present a full statement to the committee later on.

Mr. ASHLEY. Your full statement will appear with the others at that point in the record.

Mr. JACOBSON. My name is Joel R. Jacobson. I am president of the New Jersey State Industrial Union Council of the AFL-CIO. I am particularly grateful for this opportunity to appear before this subcommittee, particularly in the presence of Mrs. Dwyer of New Jersey and Mr. McGrath of New Jersey, whom we consider to be a fine example of New Jersey's bipartisan congressional diligence.

I speak as a trade unionist, not as a businessman. I am happy to point out that unlike any myths that have been spread, there is no Hatfield-McCoy feud between businessmen and labor where we shoot each other on sight. As a matter of fact, I am happy to appear as a trade union leader in support of the statements presented by businessmen, and as a trade union leader of some 25 years' experience, I consider there are three reasons to support this particular amendment. I would like to take about 1 minute on each of the reasons:

The first is moral, the second political, the third is economic.

I find that the U.S. policy is highly inconsistent and inflicts a double standard. As a trade unionist, I feel this somewhat strongly, because the United States imposes restrictions upon American workers in its domestic policies, that it is unwilling to impose upon hostile nations in its foreign policies. I speak to you modestly as an expert upon the Taft-Hartley law. The Taft-Hartley law prohibits workers from pursuing secondary boycotts as a domestic trade union activity. But the

State Department refuses to support legislation to curtail, and thereby, I infer it does support the secondary boycott instituted by Arab nations against any American firms which maintain commercial relations with Israel. This is not the time to discuss the repeal of the Taft-Hartley law, but it does appear important to me to point out that we should be consistent.

Mr. ASHLEY. I do not think you want to pay that price for consistency.

Mr. JACOBSON. We have a moral objection to a policy which punishes not the evildoer but the victim. The refusal to enact the antiboycott legislation would be such an instance. I would like to call on one of our wise old trade union leaders to point up what I am trying to say. The policy here is a classic repudiation of the wise advice which Samuel Gompers passed on to the trade union movement at the beginning of the century. The State Department seems to be intent upon the policy of reward your enemies and punish your friends. The policy it follows in this instance bolsters the predatory purposes of the United Arab Republic, a hostile nation which is friendly to the Communist bloc and imposes sanctions and hardships against Israel, a friendly nation which is hostile to the Communist bloc. It appears to me to be highly inconsistent with the other positions taken by our U.S. Government, where we are not neutral in the face of evil in Saigon or Santo Domingo. Why should we be neutral here? I submit if it is proper and moral and right to confront evil in the Far East, it is equally moral and right to confront evil in the Middle East.

I would like to take a minute to discuss the economic effects upon us as trade union leaders, workers, and as members of the American community. The primary reason for a trade union's existence is the interest of its members; and that means jobs. In our State of New Jersey, we have some severe problems caused by the migration of industry from our State to low-wage areas of our Nation. Other problems of unemployment have been caused by automation.

The need for industry and jobs, of course, is a joint mutual problem that I am happy to associate with businessmen. It requires the expansion of markets to provide jobs, and as a matter of principle, the trade union movement has always opposed the "Buy American" campaigns, despite the fact that it has a very demagogic and sometimes popular appeal. We reject it because we reject the principle of isolationism, both on a political and economic basis, and as a matter of sound practical business. We gain more from our foreign trade than we lose.

I would like to point out that the impact of this boycott is to cause a situation precisely the reverse, and that this will adversely affect jobs. Throughout this city today, there are hundreds of trade union leaders from the Seamen's Union who are picketing various agencies of the Government in protest of the maritime industries' actions with regard to American-flag ships. I would point out that the impact of this boycott also adversely affects the use of American-flag ships and therefore, of course, economic opportunities for American workers to work. I would ask you gentlemen and lady of the Congress to question the wisdom of a subsidy of \$200 billion annually, or a total of \$1½ billion since the program started, for subsidies to American ships if you on the other hand support policies which would make it

more difficult for American ships to ply the seas and for American workers to work on them. In New Jersey, there are a large number of chemical, pharmaceutical, and petroleum plants that cannot sell to a steady customer today, Israel, because of this boycott. This again affects the employment opportunities of our members.

Furthermore, New Jersey is entitled to a foreign trade zone, and efforts are being generated to achieve this particular goal within our State. But if the agents for Israel goods using the zone were to be subject to the Arab boycott, the entire zone could be blacklisted as a result of this boycott.

So I want to join with the representatives of business here to indicate to you that as a trade union matter and as an American matter, it is our opinion that this particular amendment should be passed.

Thank you very much.

Mr. ASHLEY. Thank you very much for your very precise statement, Mr. Jacobson.

Mr. Glasser?

**STATEMENT OF HAROLD GLASSER, VICE PRESIDENT AND  
SECRETARY, KAYSER-ROTH CORP.**

Mr. GLASSER. My name is Harold Glasser. I am vice president and secretary of the Kayser-Roth Corp. I appreciate this opportunity to appear before the Subcommittee on International Trade of the Banking and Currency Committee in support of H.R. 627 and companion bills, to amend sections 2 and 3(a) of the Export Control Act of 1949.

I would like to say initially that the success of the Kayser-Roth Corp. is in itself a tribute to American democracy and opportunity, and interestingly, we actually do not do business with Israel, although we do some business with members of the Arab bloc. We feel that it is a matter of obligation for American companies to support the principles upon which our way of life is founded and that is the reason I appear here today. The enactment of this bill into law will help put an end to practices which affect the ability of U.S. companies, such as Kayser-Roth Corp., to engage in foreign commercial activities. These practices are diametrically opposed to principles of freedom historically supported by the United States.

The proposed bill would prevent the discriminatory practices exemplified by the Arab boycott of Israel. In furtherance of its boycott, Arab States have required companies trading with them to furnish information with respect to their commercial dealings with Israel. The purpose is to discriminate against companies having commercial ties with Israel, or by the threat of loss of trade, to intimidate such companies into ending their commercial ties with Israel.

The proposed bill would frustrate the ability of the Arab States to use such threats against American companies for the purpose of enforcing a discriminatory boycott against Israel and other countries, as well.

This result would be beneficial to all American companies, enabling them to engage in commercial activities free of intimidation.

It might be argued that the proposed bill should not be enacted since this country engages in restrictive trade practices against Communist

countries, particularly Cuba and China. It should be noted, however, that U.S. trade restrictions only apply to domestic products and companies, and are not intended, nor do they apply, to foreign companies or foreign products. This is evidenced by the fact that the U.S. prohibition of trade with Cuba has not prevented Canadian, English, and companies of other countries from dealing with Cuba. The prohibition of the Arab States is not limited to Arab nationals and products, but applies to foreign nationals and products.

To the extent that the policy of the United States as disclosed by the proposed bill has the effect of reducing or eliminating restrictive trade practices of the type followed by the Arab States, then, in addition to permitting free commercial activities, the bill will substantially advance American principles of freedom and in turn, our goal of world peace. Thank you.

Mr. ASHLEY. Thank you, very much, Mr. Glasser. Mr. Weinstein?

**STATEMENT OF AARON M. WEINSTEIN, BLOCK DRUG CO., JERSEY CITY, N.J.**

Mr. WEINSTEIN. I will take 1 minute. We are engaged in the manufacture and distribution of drug and pharmaceutical products and specialty products for dental health, with our main plant in Jersey City. We have other plants in Memphis, England, Canada, and Belgium.

Our business has been based on the age-old principle of creating a demand for our products and supplying the goods to fill the demand. We do business with virtually every country in the world.

In doing business with the so-called Arab bloc nations, we have for many years been compelled to sign certificates or swear to certifications that our products were not of Israeli origin. Making this mere statement of fact would cause us no difficulty since it is a true statement of fact. The origin of our products is the United States of America.

However, when the requirement for such a certification is, in fact, a weapon to be used by one party to a controversy to assault economically and politically the other party to that controversy, we literally become an accessory to that assault by signing these certifications.

As American business people, we should not have to do this.

Thank you.

(The complete statement of Mr. Weinstein follows:)

**STATEMENT OF AARON M. WEINSTEIN, BLOCK DRUG CO., NEW JERSEY, N.J.**

Mr. Chairman, members of the committee, thank you for giving me the opportunity to appear before you in support of the proposed legislation presently before Congress which would, in effect, uphold the dignity of American companies which do international business.

Block Drug Co., Inc., of which I am vice president, has been established for over 60 years and is engaged in the manufacture and distribution of drug and pharmaceutical products and specialty products for dental health. Our main plant is located in Jersey City and we have manufacturing plants in Memphis, England, Canada, and Belgium. Our products are sold in virtually every country in the world.

Naturally, many of our products in foreign markets are in competition with similar products of both U.S. and foreign origin but in this respect, the situation is not unique. Our foreign business has been built on the age-old principle of creating a demand for our products and then supplying the goods to fill that demand.

In our normal international trade practices, we do not object at all to furnishing certifications of origin. Any importing country is entitled to reasonable assurances as to the country of origin of its imported products and of the full identity of the manufacturer.

In doing business with the so-called Arab bloc nations, we have for many years been compelled to sign certificates or swear to certifications that our products were not of Israeli origin. Making this mere statement of fact would cause us no difficulty since it is a true statement of fact. The origin of our products is the United States of America.

However, when the requirement for such a certification is, in fact, a weapon to be used by one party to a controversy to assault economically and politically the other party to that controversy, we literally become an accessory to that assault by signing these certifications. We should not be placed in this position. Political difficulties between nations can and should be resolved by established orderly procedures. As American business people, we should not be compelled, with the sanction of our own Government, to become a party to this controversy.

The pending legislation would achieve the purpose of removing the dilemma which we face each time we ship goods which require this negative certification. All we, as American business people seek, is an assurance from our own Government that we need only observe the normally accepted practices of international trade. Comparatively, our business is a small one and we stand to gain from this legislation. In refusing to comply with boycott demands, we could fall back on this Government regulation as our reason for refusal.

The proposed regulation would remove the requirement imposed on us by foreign nations to do something we do not want to do for the privilege of maintaining our right, as American business people, to do an international business on our products.

Mr. ASHLEY. At this point, I think it would be appropriate to have questioning from the members of the subcommittee to any member of the panel he may wish to question.

Mr. Halpern?

Mr. HALPERN. I will temporarily yield to our distinguished colleague from Rhode Island.

Mr. ST GERMAIN. Thank you.

Mr. Fain, you, I think, are familiar with the testimony that has been presented by previous witnesses and I would ask you a few questions on that testimony rather than that which you gave this morning, which I think was very clearcut and very demonstrative.

First, in your opinion, would the adoption of the amendment intensify the boycott?

Mr. FAIN. This, gentlemen, is a matter of opinion that can be partly based on general principles and partly on fact. The general principle is that nations and firms trade for benefit, they do not trade for emotion and sentiment. The Arab countries deal with American firms because it is to their benefit to deal with them and they try to prevent these firms from dealing with Israel so that Israel does not get a comparable benefit. If the Arab firms did not want to deal with Americans at all, they are not required to deal with us; they deal with us because they want to. The proof of this has been well documented in the booklet which I referred to before, which is available to all the members of this committee. A number of firms, particularly large ones, outstandingly, of course, the Chase National Bank, Hilton Hotels, Sheraton Hotels, have defied openly the boycott and have made letters public, and are still doing business with the Arab bloc. We know that this thing is sometimes carried to extremes. The Arab bloc recently tried to boycott Prince Philip and when it was called to their attention that this was rather a silly thing to do, they apologized.

I think there is another example that is related to this. It is that of Aramco, the Arabian-American Oil Co. The Arabian-American Oil Co., as you all know, does considerable work on the Arabian Peninsula, and for years—and these facts were uncovered by the New York Commission on Human Rights—they not only did not permit or seek Jewish employees for possible service in the Arabian Peninsula, but they screened out Jewish employees from their New York offices even though these were ordinary employees who it would be unlikely would ever be sent to the Arabian Peninsula. They did this under pressure, a boycotting pressure of the Arab States, directed against not Israelis but Jews. When the New York State Commission found these things to be the facts, they ruled and Aramco, I am told, agreed, first that they would not ask about religion and would not screen out Jewish employees, either for the New York office or for possible service on the Arabian Peninsula, but that if the Arab State involved refused to give the visa, that would be the jurisdiction of the Arab State, but that Aramco, the company operating in New York City, would not act as an agent of a foreign power by screening out people on the basis of religion.

We all know that there has been no deterioration in the relationships between Aramco and those countries; for the reason that these countries need Aramco.

I think that if the Arab States, who are part of the boycott league, had other means of intensifying the boycott, they would intensify it. They would not wait for this Congress to pass this simple bill to intensify the boycott.

Mr. ST GERMAIN. Second, and any of you can address yourself to this question, because I think it is important for the information of the committee members—how would the passage or the adoption of this amendment be effective in protecting our U.S. businessmen?

Miss BRAMLETTE. Really, I am not well versed in all these political things, but I do know that it is wrong not to be able to buy where you want, where you can get the best merchandise, and where you can sell it at a profit. I think that in my case, my business in Israel has been profitable and pleasant and I want to continue it, as I stated in this letter. I think it is more of a moral problem with me than anything else—at least, that is what I understand best. It is a strife that they have over there between the countries.

Mr. ST GERMAIN. We realize that. However, I think the important point or question is, the argument has been made by opponents of this amendment that should the amendment be adopted a certain freedom of choice which they say now exists would then be eliminated totally and completely and as a result thereof, this would work more of a hardship on our American businessmen.

Mr. FAIN. The purpose of the amendment obviously, Mr. St Germain, is to take away from the American businessmen that pressure that he has to make a choice between one or the other, and give him the opportunity of doing business with both, which is the way American business has always been conducted.

But let me make it clear, because at yesterday's hearing there seemed to be misunderstanding. There seemed to be a misunderstanding that if this bill—when this bill will be passed, American businessmen will not be able to trade with the Arab countries. Well, this is nobody's

intention; and there is no reason why they should not trade with the Arab countries unless the Arab countries on their own simply want to cut off all trade with all American business, and that is a highly unlikely situation.

But the whole purpose of this bill is to take the American businessman away from this dilemma, where he has to say, "I have to give up some business"—and put him in the position where he can say: "Nobody is going to sandbag me; I am going to be able to do business with both sides."

Mr. ST GERMAIN. I believe Mr. Dreyer wishes to address himself to this.

Mr. DREYER. I think I am just going to be substantially repeating Mr. Fain. But I would just like to say that it is my understanding that the United States has always espoused a free enterprise, free competitive situation and I think our company and every other company represented here wants to compete on the basis of the quality of our merchandise, the price at which we sell it, the service which we can render a potential customer. We do not want to be judged by our relationship with Israel or any other country.

Mr. ST GERMAIN. Lastly, Mr. Chairman, the Department of Commerce and the State Department both had witnesses appear before the committee. In both instances, both Departments agreed that the particular questionnaires involved and certificates required are immoral, they are despicable and everything else. And yet, they have appeared before us and testified against the adoption of this amendment. I would ask the businessmen here today—and parenthetically, I think I should add that they also testified that to the best of their knowledge, there were no business people who wished the adoption or desired that this amendment be adopted. I think that the panel here today contradicts this particular contention.

However, going back to the fact that they all abhor, both agencies abhor the situation, if that be the case, and considering the arguments that have been made, would anyone care to comment on this point? That is, why, really and truly, are these agencies or departments in opposition to this amendment?

Mr. GETTYS. Would the gentleman yield?

Mr. ST GERMAIN. Yes.

Mr. GETTYS. Under the theory you are talking about, why should we not abhor all the immoral practices of all the countries of the world? Why should we not sit in the Congress of the United States and legislate against the immoral practices of every country in the world?

Mr. ST GERMAIN. I think we make our position clear in just about each and every instance.

Mr. ASHLEY. Would the gentleman yield?

Mr. ST GERMAIN. Certainly.

Mr. ASHLEY. I think we can discuss that between us in executive session and will undoubtedly do so—discuss our own views with respect to this problem. I would think, my good friend from Rhode Island, whom we so highly respect, when we ask members of the panel if they would care to comment on why the State Department or the Department of Commerce takes the position it does, it seems to me we are asking them to impute motives and reasons and rationale that is

perhaps outside their scope. They are perfectly competent to describe their own motive, or motives, but I think they might feel they are not quite competent to answer the question you put to them.

Mr. ST GERMAIN. That is perhaps so, Mr. Chairman. However, when we go back to the testimony by those departments, as I recall it, they were speaking for the American businessmen and here we have the American businessman. Perhaps they in their experience might know of some reasons that have not been brought out or that we are not aware of, since we are not engaged in this problem.

Mr. ASHLEY. I think you are entirely right on that. I think if they care to direct their comments on that part of the testimony, they may.

Mr. ST GERMAIN. Mr. Masters?

Mr. MASTERS. Sir, when we came down a fortnight ago to call on Secretary Connor and explain the bill and ask for support, the day following that meeting, Mr. Fain and I had a private session with two officials of the State Department. In that session on which I have notes, we explained to them that the last thing in the world that we would propose is anything that would be onerous or burdensome to the administration; that our purpose, besides giving aid to businessmen, was to provide a boom, not a burden to the Department of State and the Department of Commerce. In this way they have said on several occasions that they are concerned when American businessmen; such as, we come to them with these questionnaires and say, "What do we do now; will you give us advice?" The official advice has always been: We neither condone nor like the boycott as it is practiced against Israel. But we cannot advise you; you have to work this out for yourself.

We felt that passage of this measure would put a "return to sender" on every questionnaire, every affidavit, every mechanic of any boycott office. This is not an anti-Arab bill as many people try to interpret it. This is a pro-American bill. A probusiness, a prolabor, a procitizen bill. There is no malice against the Arab States in this.

But it seems to me it would be of great help to the State and Commerce Departments to be able to advise people asking about how to treat the questionnaires. Under the Export Control Act, you can say "Sorry, I would like to help you, but this is against the policies of our Government," and send the questionnaire back. We hope that with the passage of this act they will stop sending the questionnaires, stop wasting the postage, and American businessmen will be free to do what they like.

Mr. ASHLEY. Do any members of the panel who have not been heard from care to comment.

Go ahead, Mr. Fain.

Mr. FAIN. At that same conference at the State Department 2 weeks ago, Mr. Masters asked the people there whether they had received any complaints from the Arab country embassies about this pending legislation and we were told that none had been received, which we were all pleased to learn. But while it is true as Mr. Masters has just said that this is not an anti-Arab bill but a pro-American business bill, it probably lingers in the minds of people who have learned to be very sensitive to implications and involvements, such as the people in the State Department, that it may be interpreted as an anti-Arab bill by some and, therefore, it might create some sensitivity in their nego-

tiations and discussions on other matters with members of delegations from Arab States.

I would like to suggest something that I suggest not in a whimsical vein but with an unusual approach, not strictly business, but I think which might have some pertinence here. The people of the State Department are in a sensitive position, more than perhaps the people at Commerce, because they are dealing with everybody and want to be friends with everybody. In the 12th century, there was a great religious philosopher, Maimonides, and his two principal works, which very few people take the trouble to read thoroughly, contain remarks which other religious philosophers found hard to understand. The best explanation has been that Maimonides wrote two ways. He was a Jewish philosopher and was writing in Arab countries in Arabic and was writing for the common people, not for the intelligentsia, so he had to tailor his writing to the common people of Judaism, who were not the intelligentsia, and the general Arabic community. So the analysis that has been made by modern scholars is that Maimonides wrote in two ways: he wrote so that he who runs and reads will not be offended at Maimonides, but that the real meaning of what Maimonides wrote would be known only to those deep scholars who could see through it.

This I assure you, Mr. Chairman, and lady and gentlemen, I am not creating. This is a philosophical-religious criticism of Maimonides' work. But my sincere hope is that the position of the State Department is this: My sincere hope is that they would like very much in their hearts to see this bill passed but that they are in a difficult position—

Mr. CABELL. Mr. Chairman, that is ex parte speculation. I do not believe it is pertinent to this inquiry.

Mr. FAIN. Oh, absolutely.

Mr. ASHLEY. He is giving his opinion, Mr. Cabell.

Mr. FAIN. It is strictly my opinion. I have not discussed this with anybody at any time. I am saying this now for the first time. I have never discussed this. I would hope—

Mr. ASHLEY. If the gentleman would withdraw his statement?

Mr. CABELL. I think he hopes that they were and not have reason to believe that they are.

Mr. FAIN. No, I would hope. I have no reason to believe; they have not told me that they find themselves in a position where this is the politic and tactical thing to do. Yet Congress has the right to overrule them. It may even be that if Congress does overrule them it may even be saving them from embarrassment.

Mr. ASHLEY. We like to save the administration from time to time, Mr. Fain, and do it with some regularity, I think.

Mr. FAIN. You have in the past, sir; I know.

Mr. ASHLEY. I have a question I would like to put to Mr. Dreyer.

The situation that you describe is an interesting one. Your firm started as a very small one some years ago and grew in a most respectable fashion. It began to do business with Israel concerns. You received several years ago a letter from the 'Arab League to which you did not respond. You have continued your commercial relationships with Israel concerns. You now find yourself in a position of having a commercial venture in an Arab State—

Mr. DREYER. Moslem state, not Arab.

Mr. ASHLEY. Not in the Arab League, but in a Mohammedan country?

Mr. DREYER. Yes.

Mr. ASHLEY. And you say you are walking on eggshells a bit. If this legislation is passed, you will still be walking on eggshells, will you not?

Mr. DREYER. Yes; I think in a sense, except that it will not be as much of an instrument against us as it exists now, with our name being publicly proclaimed as being blacklisted by the Arab League. If this blacklist is eliminated, it won't be flaunted in front of Moslem countries.

Mr. ASHLEY. The question is—the real point is: Does this legislation go to the blacklist?

Mr. DREYER. I beg your pardon?

Mr. ASHLEY. The legislation before us would in no way, nor could it, nor does it have as its objective, the elimination of the blacklist. Is this not true?

Mr. DREYER. I would say inevitably, as you prevent additional names going on the blacklist, the blacklist would then become antiquated and so inaccurate as to become meaningless.

Mr. ASHLEY. The meaning of the boycott is quite clear to us all. It stems from the hatred of the Arab States for the State of Israel. If this legislation passes, the hatreds will not thereby be diminished. Is this not true?

Mr. DREYER. Yes, sir; but the blacklist will not remain a matter so much of public record and note.

Mr. ASHLEY. But the fact is that the Arab League does know of your transactions with Israel. Is this not so?

Mr. DREYER. It is.

Mr. ASHLEY. And knowing that you are engaged in commercial ventures with Israel concerns, would you not suppose that they would continue their efforts against you insofar as their influence can be brought to bear?

Mr. DREYER. I think, respectfully, it is a matter of publicity rather than a matter of fact. The knowledge of our doing business with Israel might be possessed in some file in Damascus. But as long as this is not made a matter of circulation and publication, which it probably would not be a year or two hence as no new names were added and names possibly might be deleted which are presently on there, I think the whole effectiveness and the whole accuracy of the list would diminish to the point where it could no longer be used as a tool.

Mr. ASHLEY. Let me ask a hypothetical question: What if you had an opportunity to enter into a commercial venture with an Arab State that was tenfold in terms of your participation in your ventures with Israel concerns? Would you like to be barred by law from making the decision to enter into the Arab transaction rather than the Israel transaction?

Mr. DREYER. I think you are asking me if I beat my wife. I do not think the effect of passing this law would be at all relevant in that regard.

Mr. ASHLEY. Now, I did not add one more ingredient. Supposing you were approached—and we still keep the same factual hypothesis; that is, that the volume would be tenfold in terms of your participa-

tion with the Arab venture as contrasted with the Israeli. But, and suppose you—here is the new factor—suppose you were approached by someone in the Arab League and they said: "Look, your transactions with Israel are a matter of record; you must choose between doing business with the Arab country or the companies in Israel." Would you like to be barred by law from choosing in favor of the Arab transaction?

Mr. DREYER. The answer is a very clear and emphatic "No." But I completely lose the relevance to the subject under discussion. I do not see that the law is going to do that.

Mr. ASHLEY. The amendment that we are addressing our attention to reads as follows:

Such rules and regulations shall prohibit, in furtherance of the policy set forth in the last paragraph of section 2, the taking of any action, including the furnishing of information or the signing of agreements, by domestic concerns engaged in the export of articles, materials, or supplies, including technical data, from the United States which have the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States.

My thought is simply when we say "any action," that decisions, on the hypothetical situation I described, would constitute an action and would, therefore, be prohibited by law.

Mr. DREYER. I see your point very clearly now. I think the record has been clearly established by testimony of other gentlemen here that this has not been the effect. Companies such as Hilton, Sheraton, Goodyear—I do not remember all of them off the top of my head—have all refused to give the statement to the Arab countries and are continuing to do business there. So this refusal as a matter of law would not bar anybody from doing business in the Arab countries.

Mr. ASHLEY. I am not talking—let's strike out the language that has been relating to the furnishing of information. Then we find that the amendment reads as follows:

Such rules and regulations shall prohibit, in furtherance of the policy set forth in the last paragraph of section 2, the taking of any action by domestic concerns engaged in the export of articles, materials, or supplies, including technical data, from the United States which have the effect of furthering or supporting the restrictive trade practices or boycotts fostered or imposed by any foreign country against another country friendly to the United States.

Now, my point is that regardless of the furnishing of the information, if somebody were to approach you representing the Arab League and say, "You make your decision as to where you wish to trade; if you trade with Israel, then forget the order which was tenfold in volume, because we will not have this." Now, do you want to be barred by law under these circumstances—and again I say this has nothing to do with the furnishing of information. They have just said to you, "You make your choice." Do you want to be barred by law from making that choice?

Mr. DREYER. The answer is "No."

Mr. ASHLEY. Then you would suggest a change in this language?

Mr. DREYER. I still do not see the relevancy.

Mr. GLASSER. Mr. Chairman, may I respond to that?

Mr. ASHLEY. You certainly may.

Mr. GLASSER. I think that the proposal in itself would be an illegal proposal. To begin with, an American company that would be trading

with the Arab bloc, and with other countries as well, has nothing in common in trade with the Arab countries and, say, with Israel and Greece or any other country. I think it would be highly improper for a particular company to say that the price of doing business with us is an abstention of business with somebody else.

Mr. ASHLEY. There is nothing in American law that prohibits this, is there, Mr. Glasser?

Mr. GLASSER. There may not be anything specific in American law, but there are some phases of the extension of antitrust activities into the field of foreign trade which might very well run afoul of that particular point.

But apart from that, I think that if you start with a premise which in itself is fallacious, you can come out to any conclusion you want. By saying that you are denying American businessmen the opportunity of making a choice by presenting him with something which is improper in the first instance is to create a situation where you cannot get a responsive answer.

I think that the answer must be that if an Arab country says that the price of doing business with us is that you cannot do business with somebody else, a law prohibiting a response to that kind of question does not deny the American businessman the freedom of choice. He is being denied the freedom of choice in the first instance.

Mr. ASHLEY. I know, nobody is denying impropriety, and I did not mean to suggest in my hypothetical question that this was a proper thing for the representative of the country to do.

Mr. GLASSER. I think your point is that the American businessman by virtue of the language of this bill would be denied the freedom of choice. I say that the question propounded to him by the Arab country is a denial of free choice in the first instance. I do not think it is improper to have this bill say that an American businessman should not respond to such a question on the grounds that it is a proper question under the Constitution of this country.

Mr. ASHLEY. As I put the question, he would have the right to refuse the offer.

Mr. GLASSER. And that would prevent a foreign country from putting that type of question to him. Yes, I think this serves the purpose of American business.

Mr. ASHLEY. All I wanted was the sense of the business representatives here as to whether or not—in the first place, I want the language understood.

Mr. GLASSER. We understand it.

Mr. ASHLEY. I have gotten your sense, and I have also gotten Mr. Dreyer's.

Mr. GLASSER. I do not think Mr. Dreyer quite understood the implications of the question. I think if he were to reflect on it now, he would agree with the position I have taken.

Mr. ASHLEY. Mr. Halpern?

Mr. HALPERN. Mr. Chairman, first I would like to express a view relative to a point that came up earlier in the colloquy this morning, that we cannot act to stop immorality when it exists in all countries. I hope, of course, through our own standards, that we can set an example of justice and morality for all countries. But we are not legislating morality in foreign countries. We are legislating the effect of a

flagrant case of foreign immorality on our own domestic scene. That is within our own constitutional rights and our own obligation to do so. I just wanted to get that point in.

I would like to direct a question, if I may, to Mr. Rabb. Having been identified with the administrative branch of our Government, do you feel that this is purely a matter of the U.S. concern for the American businessman and should be looked at in the text of a domestic commercial issue consistent with our overall national policy to promote free trade?

MR. RABB. I would say "definitely yes" to what you have put to me as a question. This is an American domestic matter, and I think that we are beginning to lose sight of the fact that what we want to do is to protect the American businessman from becoming involved in a foreign economic war. He is in the middle. He is being asked for information which, under ordinary circumstances, he would reject without any hesitation whatsoever. However, when presented with this either lack of sophistication or fear or the rest of it, a decision is being made for him.

I would like to tell you that the businessmen that I have been in touch with, and there have been many big ones in this country as well as small ones, have indicated that they want action on this amendment because of American domestic policy. I can give you just this brief statement which I have been authorized to make from Forrest E. Behm, the president of Corning Glass International. He said he wanted to notify me that Corning Glass Works is wholeheartedly in support of this measure:

This bill would be an appropriate measure to demonstrate that the United States will not condone programs where the foreign policy of any government is pursued by threat and intimidation of private citizens of this country.

If this fact is not overlooked we have the essence of what is involved over here, an attempt to give the American businessman a feeling of security that he should not be plunged in the midst of outside activities. Voluntary action on his part can be taken no matter what questionnaires are given to him. He can make the choice he wants to make. But if this particular bill passes, he has the answer to foreign countries that seek to obtain from information that he should not give.

MR. HALPERN. Do you feel, Mr. Rabb, that the executive branch has been effective in thwarting this boycott or that there is any hope that it could do so?

MR. RABB. I have a great deal of sympathy for the position of the executive offices, because once upon a time I was involved with the executive department. I know how concerned they must be over this bill, because morally the advantages all rest with the bill. But they have to try to make a stand for this position. I have great sympathy for them.

However, I believe that this amendment should be passed and that the administration will probably find it an advantage also if it were to be passed.

MR. HALPERN. Do you feel this can be accomplished without such legislation as we seek, which has been proposed, and which this committee is considering.

MR. RABB. I think it cannot be accomplished without this type of legislation. This is a first step toward thwarting the boycott. Ob-

vously, the Arab nations will go on doing what they want to do in connection with the boycott and, of course, they have a perfect right to pursue any policy they desire to pursue. We are talking about what they ask of Americans and when they pressure American businessmen, it is appropriate to have the answer in the form of this bill which will protect and safeguard American interests.

Mr. HALPERN. And you feel, do you, that the provisions of this proposed amendment appropriately belong in the Export Control Act?

Mr. RABB. I have not the slightest doubt about it. This is exactly the place where it should be.

Mr. HALPERN. Thank you, Mr. Rabb.

I would like to direct a question to Mr. Glasser if I may, especially since you gave such very interesting testimony this morning, mentioning that you do, or the firm you represent does, some trade with Arabs and does none with Israel. Now, administration officials say that this kind of an amendment could hamper the U.S. trade with the Arabs. Do you agree?

Mr. GLASSER. I do not think that it will hamper trade with the Arab countries at all. All that it will do will be to prevent them from asking questions that they should not be asking in the first place. They trade with us because it is a matter of convenience for them to trade with us. If it continues to be a matter of convenience for them to trade with us, they will continue to trade.

Mr. HALPERN. I feel the same way, Mr. Glasser, but I wanted to hear an expression. If anybody else has any views on that particular subject, we would certainly welcome hearing from them.

Now, I have one other question to direct to the entire panel—

Mr. GETTYS. Would the gentleman yield?

Mr. HALPERN. Yes.

Mr. GETTYS. Would that not be true whether this legislation is passed or not, Mr. Glasser?

Mr. GLASSER. That it is a matter of convenience for them to trade with us?

Mr. GETTYS. Yes, and if it is a matter of convenience, that they will continue to trade with us.

Mr. GLASSER. I think it is not a question so much of whether they will continue to trade with us as a matter of their convenience. I think it is also a question of what type of difficulties and problems do we create for the American businessman, what kind of handicaps do we let him be subject to, and our own principles, as I said in my statement a little earlier today, our own principles upon which we operate.

Mr. GETTYS. Would you not just ignore the questionnaires and information queries and if it is convenient for them to trade with you, they will trade with you?

Mr. GLASSER. I do not think we can run that risk.

There was a statement that I heard which I would like to repeat. It had to do with the question about people doing things voluntarily. Someone once commented that the man who walks the gangplank with a sword at his back voluntarily jumps into the water. The point is that he really does not have much choice, does he, and his decision to jump is predicated upon a lack of other alternatives.

I think in this particular sphere, a company that would answer these questions, merely acting on the premise that they have nothing to

lose because they really do not buy anything in Israel; they do not have any stock in an Israel company, and they do not do any of the long list of things which appeared in one of the letters; this company is happy to foster an environment which someday might create the very kind of situation they would like to avoid.

Mr. GETTYS. Are you doing business with Arab States now?

Mr. GLASSER. We would not complete any such certificate.

Mr. GETTYS. Well, but I want you to tell me what is the whole truth. They are doing business with you whether you sign that statement or not because they want to do business with you, are they not?

Mr. GLASSER. I might say, sir, that there might be an excellent chance that after this hearing today, we might not be doing business with them.

Mr. GETTYS. I admire your fortitude in saying:

If you cannot do business on my terms, we will not do business with you; we do not want you as a customer.

I think all American businessmen can say that to the Arab States.

Mr. GLASSER. I do not think we should suggest an American company to risk that they might or might not have that type of situation.

Mr. GETTYS. It is done every day in free enterprise in the United States.

Mr. GLASSER. What is done every day in free enterprise?

Mr. GETTYS. You say if you are going to trade with so and so, I am not going to trade with you.

Mr. GLASSER. We have never been faced with that situation. We have never been told by anyone that the price of trading with them is that we should not trade with somebody else.

Mr. GETTYS. Well, I certainly have been.

Mr. GLASSER. I would say that we have been more fortunate than you.

Mr. MASTERS. In the Sherman Antitrust Act, article II, it states that any conspiracy in restraint of trade with any foreign nation—I am not reading it entirely—is criminal and illegal.

Mr. GETTYS. Then we do not need this legislation.

Mr. MASTERS. I believe this legislation is needed, sir, to avoid harassment, I know of a company which had sold successfully to both Israel and the Arab states and wants to continue doing so. But in one of its contracts, it was faced with the Arab questionnaire which that company would have liked to have been able to send back. Under this legislation, it could have sent it back. However——

Mr. GETTYS. Would the Arab states still do business with him?

Mr. MASTERS. If their competitors also were sending it back, they might——

Mr. GETTYS. You are not under the conception that this bill will let the United States say, the Arab states do so and so, so we have to comply?

Mr. MASTERS. Yes, Mr. Gettys; but I got the feeling you felt it would not make much difference if this bill were passed or not, and I wanted to show you a case where I think it does.

This company went ahead, not caring to risk losing this big contract, and signed this affidavit. But by signing the affidavit, they were prevented from licensing in the future any of their products in Israel.

It also restricted them in case they wanted to work on a contract in Israel which would involve some sort of an investment there.

You see, by signing this affidavit that they send you, it puts you in a real bind.

Mr. GETTYS. I do not see why you would bother to sign it.

Mr. MASTERS. Well, sir, you are in business to try to do as much business as you can.

Mr. GETTYS. And if you do sign it, you have—you know you have agreed that you will not do business with somebody else.

Mr. MASTERS. We want our companies to do business with both sides, sir. We have embassies in all of these countries. Our trade should be able to follow our flag. We should have no more restrictions on our trade than we do on our embassies.

Mr. GETTYS. You put your own restriction on it if you sign it.

Mr. MASTERS. If you sign it, sir.

Mr. GETTYS. Yes; you agree that you will not trade with that country.

Mr. MASTERS. If this Congress will tell businessmen, you no longer have to sign, and if all the questionnaires and affidavits go back, you are going to give business great relief, sir.

Mr. GETTYS. If the American businessman would quit signing that thing, people have to come over. They have to have our exports. So if the American businessman will quit signing the thing, that solves the question.

Mr. MASTERS. It would be grand if everybody would quit signing it, but when you have a \$10 or \$15 million contract dangled before you, you cannot in all honesty to your stockholders ignore it.

Mr. GETTYS. You lead me to believe that you are doing this in behalf of American businessmen, but a lot of American businessmen probably are not in accord with you, because they want to sign the thing and do business; right?

Mr. MASTERS. Sir, I called perhaps a hundred businessmen in preparation for these hearings, and I found not one, sir, who is not in accord with the purpose and intent of this legislation. I found many who, because of the lack of legislation, because of their fear of being blacklisted, were not able to appear, did not feel in justice to their stockholders that they could appear today.

Mr. GETTYS. I am not being arbitrary, you understand, I am just trying to find out some things. I appreciate your very clarifying statements.

Mr. MASTERS. I am just trying to give you an answer, sir. I did not mean to take so much time.

Thank you, sir.

Mr. HALPERN. Mr. Chairman, I have one additional question which I shall direct to the entire panel.

Mr. ASHLEY. I will say this for the benefit of the committee. We must try to expedite the questioning, because we have tested the patience of our former Postmaster General to the breaking point, and I would hope that we would be able to conclude our questioning by 12:30 or so of this panel, so that we can hear the testimony of General Day. We shall then adjourn for luncheon until 1:30, at which time the committee will go into executive session.

Mr. HALPERN. Mr. Chairman, I certainly want to compliment this panel for the extremely enlightening, informative and well documented and, I hope, convincing testimony this morning. In my concluding statement I would like to ask, Do any of you know of any feeling among the American business community against this legislation? (No response.)

Mr. HALPERN. Then it is safe to assume that there is no apparent fear on the part of American business that this legislation would seriously thwart trade relations with the Arabs, and that to the contrary, I gather from your respective testimonies, it could broaden the U.S. trade opportunities.

Now, I know Mr. Rabb is beckoning and obviously has some comment to make.

Mr. RABB. Congressman Halpern, the organization which I serve as president is a clearinghouse for businessmen throughout the United States and particularly on this one point. We have not received that I can remember a single letter that opposed this particular legislation. I cannot recall any conversations or discussions that we have had with businessmen where there has been opposition voiced against this particular amendment. But I have seen and read and heard opinions well in the hundreds to the effect that businessmen would like some relief, and this was the form in which they would like it.

Mr. HALPERN. Thank you, Mr. Rabb.

That is all, Mr. Chairman.

Mr. ASHLEY. Mr. Rabb, the statement you make is very persuasive and I agree with it. It is most understandable that the American businessmen should want relief. It is your judgment, of course, that the proposed amendment would have no ill effect upon the volume of commercial transactions with Israel?

Mr. RABB. No; absolutely not. As a matter of fact, I think that it would increase the amount of business transactions with Israel.

Mr. ASHLEY. The only thing that bothers me, if I may say so at this late date, is that this might not be the case and that as a matter of fact, well intentioned though the proponents of this legislation most certainly are, the effect might be adverse to Israel, and instead of simply accepting the action of this Congress, the Arab League might in fact intensify their boycott. They might use all other available means of securing the information that is now produced by means of the questionnaires and the affidavits. And were this true, and if it should come to pass that this legislation is adopted, this indeed is the consequence, then I think it would have a result that most certainly is not contemplated by those of us who are most sympathetic to Israel and to the efforts of a gallant country to hold her head up and to grow from infancy into adolescence and into a full and mature and permanent member of international society.

I would like to go for a moment to the intensity of the hatred that has been manifested by the Arab nations and, based on the intensity of that hatred that every day is articulated, I do find it difficult to believe that the Arab boycott will cease and desist or that other efforts will not be made to secure this information so that the boycott can continue to be implemented more severely than it is today.

Mr. RABB. Mr. Chairman, may I respond? I must admit that what you have said has considerable force and is very thoughtful indeed.

The answer is not one that I can give you in a definitive way, because it is only a matter of judgment.

Mr. ASHLEY. It is conjectural, a matter of judgment.

Mr. RABB. It is a matter of conjecture. However, Mr. Chairman, I have lived with this problem. I think I know the effect of it.

The greatest weapon that the Arab Boycott League has is this instrument of obtaining information from Americans, from American businessmen and firms, and being able to use that information for their own purposes. If we do not enact this into law, we are saying in effect to the businessmen and to the Arabs, "Go ahead, you are on your own; you answer these questions or you suffer the consequences."

There is no doubt in my mind that business with Israel will increase. I said that what you had to say was thoughtful, it was good, and it cannot be overlooked very quickly. But I know that from what I have seen, commerce with Israel will increase.

But far more important than whether or not we have business with Israel is what happens to the American businessman. That is my concern. I would like business to increase with Israel and I think I said in my statement that I would like business to increase with the Arab countries. I do not want to have an economic war of this kind. I think the United States will benefit if there is increased business everywhere. But the important point for us is where does the American businessman come out? This is not so much a matter of concern for the State Department as it is a concern for those of us over here who wish and desire to see to it that we do not have undue pressures brought to bear on American persons and firms who do not know what to do under the circumstances. They have not the guidance of such hearings as these.

There are thousands of these questionnaires that go out, and sometimes in ignorance, sometimes in fear, sometimes in desperation, they are answered and from that, the attempts to block trade take place.

I do think that trade with Israel will increase and I know your concern for it is very deep. I have known this over a great many years. But I am even more concerned about the question of the American businessman and the fact that we are permitting to continue in this day and age a pressure upon a large segment of our population, a pressure which involves us as the result of the actions of one foreign country against another friendly country.

Mr. ASHLEY. There has been testimony before this committee that no other country at which the boycott is aimed—that is, not Israel but the other countries doing business with Israel—has enacted any legislation. There has been testimony from members of this panel that as a matter of fact, the instrument that has been used to stiffen the backbone of the business community, if you will, has been the actions of national chambers of commerce in other countries. What is your suggestion, it seems to me, is that we can make it much easier for the American businessman to make a decision that you and I may think is the moral decision if this legislation is enacted. But do we really need legislation so that the American businessman is spared the difficulty of making a moral decision?

Miss Bramlette made the decision, Mr. Dreyer made the decision, others of you made the decision.

Mr. RABB. This is not the first time that an attempt has been made to present legislation that would help people make a moral decision. I think there is a long history on that score. It is true, there are some people who will stand up and be counted. But we, in effect, must recognize that American businessmen have a fear and are concerned. It may not be the most noble thing in every instance, but it is a fact. And when they can lean on a law like this that does not take the problem of choice away from the American businessman—and when they can say to people who ask them and who pry into business by way of a questionnaire, "I am sorry, we have a law which does not permit us to do this," they have an answer. If they then want to do business, that is up to them and they can do so on the basis of a voluntary decision.

Mr. ASHLEY. Mr. Cabell?

Mr. CABELL. I have several questions, Mr. Chairman, which I shall propound rather briefly and I trust that the answers will be equally brief.

Mr. FAIN, are you aware of the fact that the U.S. Government today is requiring certificates of origin for goods coming from 14 friendly nations to ourselves?

Mr. FAIN. Yes, sir; certificates of origin are a common practice in international trade and for laudable purposes. But these are positive certificates of origin, stating that these goods originate in or are made of a product of such and such a country.

Mr. CABELL. And those certificates of origin deal with third-party countries also?

Mr. FAIN. Yes, sir. But they are positive certificates, not negative.

Mr. CABELL. Miss Bramlette, have you made any attempt to do business with Arab States?

Miss BRAMLETTE. No.

Mr. CABELL. Have you anticipated that you would do business with Arab States?

Miss BRAMLETTE. No; not yet. But I would like to have the opportunity to do so.

Mr. CABELL. But insofar as you are personally concerned, you have suffered no deleterious effects from this other than the shock you received when you got the questionnaire?

Miss BRAMLETTE. As far as I am personally concerned, I have not. But I do have a moral obligation to the people who do not have the opportunity to come here or who do not know how to come, or who do not know what to do. I did not sign that letter. I did not answer it, because I do not think they should ask personal questions.

Mr. CABELL. You are to be commended for so feeling.

Miss BRAMLETTE. May I make another personal remark?

Mr. CABELL. Certainly.

Miss BRAMLETTE. I import these knit suits to my showroom in Dallas. They bear the label "Suits from Israel." I only sell wholesale to stores. Many of my buyers are Jewish buyers, and they come in and buy from me partially because they are interested in imports from Israel.

Now, that is one thing. Anything that touches our pocketbooks——

Mr. CABELL. Are you wearing a sample of your merchandise?

Miss BRAMLETTE. I say anything that touches our pocketbooks, we are very much concerned about.

I think we are abetting and abiding that hatred when we give way to these Arabs like we presently do.

Mr. CABELL. Thank you, Miss Bramlette.

Mr. Dreyer, in your testimony, you stated that you have certain licensing agreements for your product, that you retain the right to choose your customers on whatever basis you feel is right or in your best interests. You tell your customers, well, I cannot sell you because I have an exclusive licensing agreement with someone else. Would you like to see anything done that would prohibit a continuation of your licensing agreement which gives you absolute decision as to with whom you shall do business?

Mr. DREYER. Mr. Cabell, I am glad you asked that question. Factually, in none of our license agreements, and we have had seven of them in existence, do we limit our licensees to where and to whom they sell. We feel this is a matter of principle.

Mr. CABELL. They buy your product. Then they have to buy your product exclusively. They cannot buy a competitive product or a similar product that might interfere with your volume. Is that not correct?

Mr. DREYER. It is a quid pro quo. We give them certain things and they give us certain things.

Mr. CABELL. Exactly.

Mr. Jacobson, if I have understood your testimony correctly, you made reference at one time to the Arab States as hostile states, am I correct in that?

Mr. JACOBSON. That is correct.

Mr. CABELL. Has there been any official designation by our executive department that Arab States are hostile? Have we broken off diplomatic relations with them?

Mr. JACOBSON. I would offer, sir, that if the Arab States are friendly, I do not need enemies.

Mr. CABELL. I would agree with that, but I am talking about official designations, sir, just to clear the record and not leave a false impression. Is there any official designation in our archives, regardless of what our personal opinions are? Is there an official designation stating that the Arab States are hostile to the United States?

Do not give me your opinion, because it is the same as mine. I am talking about the legal question.

Mr. JACOBSON. So far as I know, no. But may I add, sir, that it is perfectly obvious, as you indicated, that when the Arab bloc is friendly to the Communist bloc, I must infer they are not our pals.

Mr. CABELL. I have one other question. This is a hypothetical situation wherein we enact this amendment. The Arab States publish a statement of policy to the effect that anyone with whom the Arab States do business, it is understood that they are not doing business with the State of Israel or such other state as they might name; they say, we reserve the right to make individual exclusions to those companies with whom we have to deal. Do you realize, sir, that under the terms of this, any man who sold or offered to sell goods to the Arab States would be in violation of this, whether he was selling to anyone else or not, that by performance or willingness to perform, he has automatically acceded to the terms of that, and then, the net effect would

be to decrease materially trade between the Arab States and the United States?

Mr. FAIN. Mr. Cabell, that is a very strong point, and I think I am going to shock you by my answer.

Mr. CABELL. I am not easily shocked, Mr. Fain.

Mr. FAIN. If the wording of the bill presently is such that that is its interpretation, then I would recommend, and I think Mr. Ashley was indicating this before, that such wording be changed so there could not be such interpretation.

Mr. CABELL. The purpose of that was to emphasize the very, very fine point the chairman has made.

Mr. FAIN. I appreciate your bringing it to the fore in such a dramatic way. I am sure it is not the intention of any of the 10 of us at this panel to bring about the hypothetical situation which you have just described.

Mr. CABELL. We do not want a "cure to this cancer that will irritate rather than sooth."

Mr. FAIN. Certainly.

Mr. CABELL. Thank you, gentlemen, and lady.

Mr. ASHLEY. That is a pretty good question, Mr. Cabell.

Mr. McGrath?

Mr. McGRATH. Thank you, Mr. Chairman.

I want to commend Miss Bramlette and the gentleman here. I think their testimony has been very helpful. I am very happy to see so many witnesses from the great Garden State of New Jersey.

Some contention has been made that the United States is neutral in this dispute and that we should remain so. I would like to look at that contention for a minute.

Mr. Jacobson mentioned the amount of money we are spending on our subsidies for our merchant marine, and Mr. Fain commented on page 6 on the quantitative results of the Arab boycott, that shipping lines are required to run double routes to the Middle East.

Does anybody have an opinion as to whether or not this results in an increased cost to the American taxpayer?

Mr. MASTERS. I think it does. As I understand how, for instance, the American Export Lines, which is one of the principal American-flag carriers involved here, handles the problem, the ships that touch Haifa do not go to the Arab ports, and the ships that go to the Arab ports do not go to Israel. But they have enough of a fleet there that they can route their ships so they do not call at both on the same voyage.

Mr. McGRATH. Now, I am fascinated by the copy of the invoice that Mr. Fain supplied to us from Westinghouse Electric International Co., which shows products manufactured in America, sold to and shipped to another company in America, with this stamp on it, that neither the goods nor services enumerated in the invoice are of Israel origin or contain any Israel materials. I can see why Westinghouse Electric Co. might want to stamp that on one of their invoices: it is a cold business deal. But do any of these documents, these invoices, these certificates, proof of export, or any other documents with this type of stamp, are any of them received by officials of the U.S. Government and processed, to your knowledge?

Mr. FAIN. They must be, sir. The document in question, of which I am holding a copy, has a brief statement at the bottom that the country of ultimate destination is Egypt. That is the reason why.

The letters of credit themselves spell out the certificates which must appear on the invoices and on the bills of lading.

And in all of the letters of credit such as this one that I am holding here, or these here, or any of these that I am holding in front of me, these specifications must appear.

Mr. McGRATH. And they are actually received, I take it, by the Department of Commerce?

Mr. FAIN. Now you are getting into the technical question, Mr. McGrath, of how documents travel. They are processed through the ports and they are fairly open to everybody. They are not confidential documents.

Mr. McGRATH. That question should properly be directed to the Department of Commerce, I suppose.

Now, one other question that I have in connection with this invoice is this particular one that relates to flanges, price \$180.80, certified that the material is not of Israel origin. Take a hypothetical case where whatever—say they are steel flanges, I do not know. But suppose the steel is available from an Israel company at a lower cost than from any other suppliers. Does that mean that Westinghouse Electric could not buy the steel from an Israel company and pass the saving of price on to American customers?

Mr. FAIN. It does mean that, Mr. McGrath, unless the company involved was willing to sign an affidavit which was not a true affidavit.

Mr. McGRATH. Thank you very much.

Mr. ASHLEY. Mr. Jacobson, we shall be happy to hear further from you, although I must say we have just about exhausted our time.

Mr. JACOBSON. Could I have just 30 seconds to respond to one thing, the question you made about morality?

Mr. ASHLEY. Yes.

Mr. JACOBSON. As a trade union leader I have too often seen where the moral businessman makes a moral decision and suffers, and the immoral, acquisitive businessman makes an immoral decision and benefits. I would submit that the passage of this amendment might reverse that situation.

Mr. ASHLEY. I want to thank you, gentlemen and Miss Bramlette, for your appearance this morning and for the very splendid, coherent, intelligent testimony which you offered.

Thank you very much.

Mr. HALPERN. If I may, Mr. Chairman, as the ranking minority member of this subcommittee, I wish to commend the chairman for his fair conducting of these hearings and the members of the committee for their patience and for the very, very enlightening colloquy which has taken place between the witnesses and the committee.

Again, I want to complement this very, very fine panel. It is an excellent cross section of American viewpoint, and I believe you have done a remarkable job.

In my view, the public testimony before this committee has effectively refuted the contentions of the State Department and Commerce Department spokesmen.

I just want to repeat one point, that we have no right to legislate against a foreign country which restricts the commercial undertakings of its own nationals. There is no argument here. But foreign entities lack the power to curtail or otherwise regulate the commerce between American and third countries in time of peace, and this is precisely what the amendment embodied in this legislation—this proposed legislation—seeks to rectify. I just wanted to emphasize that point in concluding these hearings.

Again I want to thank the panel and certainly wish to commend the chairman for his fine conducting of these hearings.

I want to ask unanimous consent, if I may, because of the want of time, to insert additional comments for the record.

Mr. ASHLEY. Without objection, you certainly may.

(The comments referred to follow:)

CLOSING REMARKS OF HON. SEYMOUR HALPERN, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF NEW YORK

In my view, public testimony before this subcommittee has effectively refuted the contentions of State Department and Commerce Department spokesmen.

Our commercial policy toward Cuba, Red China, and other territories is fundamentally different from the boycott applied to third countries by the Arab League States. We do not impose sanctions or punitive actions. We may seek voluntary compliance, but we do not regulate or interfere with the commerce of foreign firms and third parties.

The boycott against third parties is an unwarranted infringement upon the sovereign prerogative of each State to regulate its own commerce.

We have no right to legislate against a foreign country which restricts the commercial undertakings of its own nationals. There is no argument here. But foreign entities lack the power to curtail or otherwise regulate the commerce between America and third countries in times of peace. And this is precisely what the amendment, embodied in my bill H.R. 4361 and other bills, seeks to rectify.

Secondly, I would like to add that the Arab boycott is not principally an economic tool, applied for economic reasons. Though it is inherently injurious to American trade dealings, it is an attempt to implement foreign policy by economic means. Again, this is the right of any foreign government; but I do not think American nationals should be placed in the position of abetting the policy of foreign governments, or of having their valid commercial interests hindered by arbitrary and essentially irrelevant considerations.

This amendment will effectively counteract the onerous effect of boycotts on American commercial enterprise. No American firm should be put in the position of determining its trade activity with a friendly power on the basis of arbitrary restrictions imposed from another quarter.

We are dealing here with the rights of American nationals, and their Government's capability of representing their interests. Can we suppose that dubious short-term diplomatic chance overrides this primary cause? I think not.

A point was raised as to whether this amendment sets foreign policy. It is often difficult to draw a clear line, for often, if not always, international economic dealings relate intimately to foreign policy. In a very real sense, the Nation's commercial policy is its foreign policy, and vice versa; it is important not to confuse the issue by theoretical suppositions.

The fact is that the Arab States require from private American firms the adherence to boycott methods, and the boycott is an economic instrument in the service of political objectives. Because this arbitrary practice inhibits trade and investment which American firms seek to engage in, we can legislate against the boycott as it affects them; it is not within our jurisdiction to determine the course which the Arab States may choose, but it is most certainly our prerogative to protect or otherwise legislate for American nationals who are burdened or hurt by the commercial policy of another state, especially when that policy is contrary to the norms and usages of accepted practice.

This amendment is crucial, and I believe testimony delivered before this committee has asserted its validity.

Mr. ASHLEY. Thank you again, gentlemen.

General Day, we are happy to have you with us at this time. We are honored by your coming and waiting 2½ hours. If you have anything to add to what has been said here, I know we are going to be much interested. I realize that the testimony you will offer this committee will be on another aspect of the Export Control Act that is under consideration by this committee, so we shall be pleased to have you proceed in any way you see fit.

#### **STATEMENT OF J. EDWARD DAY, COUNSEL FOR AMERICAN WALNUT MANUFACTURERS ASSOCIATION**

Mr. DAY. I will make it very brief, and I will relieve those who may still be in the room by telling them I do not represent the Arab League. However, I am glad I have heard this testimony this morning, because, while I am not familiar with this other controversy, the intense controversy that I have been interested in for a long time involving the walnut veneer business has a remarkable coincidental similarity to what has been talked about here in that the State Department has been telling us they do not want to do certain things because it might possibly hurt the feelings of somebody in some other country, even though there is no indication that anybody in those other countries has complained.

Now, this is an excellent room in which to talk about the subject because you have some of the most beautiful walnut and walnut veneer one can imagine in here.

This is an absolutely unique product, walnut veneer, because black walnut grows only in North America. Nearly all of the top quality, veneer quality walnut, grows in the United States and principally in the Central States.

It is fast disappearing. It will all be gone in about 7 years. We, for 2½ years, proceeded before the Department of Commerce with the most extensive documentation to explain to them that this was a clear

case that came under the short supply provisions of the Export Control Act. The very first words of the Export Control Act which the Department of Commerce is asking to have continued, the very first words are "certain materials continue to be in short supply."

If there was ever a material that was a classic case, that fits exactly into that, it is walnut because the walnut such as you see in these panels is undoubtedly from trees that were at least 60 to 80 years old. It takes that long to grow a walnut tree of veneer quality. It is disappearing rapidly, largely because of the fact that exports in the last 10 years of this unique American product have increased by 1,600 percent, from about 1 million board feet in 1955 to about 16 million in the current rate of export.

Now, the Department of Commerce, in February of 1964, agreed that this did fit under the Export Control Act and they imposed a very modest quota on exports. They allowed exports to continue to be over seven times what they had been in 1955 and that program continued until last February, and suddenly, to our complete amazement, as one of the first acts of the new Secretary of Commerce, he allowed these controls to expire and we have been unable to get a hearing from the Department of Commerce on all of the new reasons that they have dreamed up as to why they should not apply this act.

The short supply provisions of the Export Control Act are very simple. They just have two standards in there. If there is an abnormal export drain and if it causes an inflationary impact—these are the only two tests that are in the statute. The Department of Commerce admits that those tests are met here, that there is an abnormal drain, that the price continues to go up, but they brought in everything that you can think of but the kitchen sink as to why they should not apply this law. They brought in things about Appalachia, they brought in things about balance of payments, which are just 1,000 percent wrong because this export drain has a very bad effect on balance of payments.

You can, for example, take a log that would sell for \$200 in export, take 3,000 square feet of veneer off of it and put it on Hammond chord organs, and it will involve about \$25,000 worth of export value when it goes abroad, because walnut is just as popular abroad as it is in the United States, and it is by far the most popular furniture wood here.

Now, if the committee were not so pressed, I could easily produce a panel as distinguished and as highly articulate as you heard this morning of people from the furniture industry, the plywood industry, the organ industry, the piano industry, all of which have taken strong stands in favor of the application of this law. The Department of Commerce told us, and I want to tell you about what has happened in the last few weeks on this, and the record that is available in the congressional world—the Department of Commerce refused to grant us a hearing.

We went to Senator Hartke and he tried to get a hearing for us and when the Department refused to give it, he had a hearing before the Senate Commerce Committee in order to try to get all the facts on the record. And Secretary Connor said before that committee that his Department was not set up to hold a hearing on this subject,

that the congressional committee was the best place to hold a hearing. He used the words:

*It is a more appropriate forum, before a congressional committee.*

So we had 2 days of hearings at which there were several dozen witnesses, including 10 Members of Congress from both sides of the aisle—Senators Hartke and Bayh testified and Robert Kennedy sent a statement, Senator Dirksen came over and testified, Senator Hickenlooper, Senator Miller—a number of others—all in favor of the re-imposition of these controls.

Even before that record was completed, and it is not even now in print, the Department of Commerce stated that they were not going to do anything different. Even though they based a lot of their argument upon the General Agreement on Tariffs and Trade, the GATT agreement, and they were told by Senator Monroney and everybody that talked about it at the earlier hearing that their use of GATT was, to use Senator Monroney's words, "as phony as a \$3 bill." There is an absolute parallel here to what you are hearing this morning.

The State Department has said, "We cannot do this because of GATT." You say, "Why can't you do it because of GATT?" The answer is that some other country might possibly complain. "Well, these were in effect for a year. Did anybody complain?" "No, nobody complained, but somebody might."

Well, actually, there are 21 other countries who are members of GATT who have exactly the same kind of controls on valuable hardwoods. They usually have complete embargoes. We only ask for a quota.

Now, it would take me hours, gentlemen, to tell you all of the high points of the documentation that we have already submitted to prove conclusively that this fits exactly into the Export Control Act. We hoped that without having to take the time of this committee, the Department of Commerce and the State Department would see on the basis of this elaborate record that the controls should be imposed. But they have said no.

We are proposing an amendment which is a very short, clear-cut amendment. It is set out in a prepared statement which I will ask to have included in the record, and it is simply for the purpose of saying that the Export Control Act means what it says, and apply it in a situation where there is a short supply item. The Department is not applying these short supply controls to any item at the present time, although they did apply them very recently to sugar, and it was no more a short supply item than water.

They applied them to used steel rails. Well, we were not going to run out of used steel rails, but we are going to run out of walnut. We are going to run out of it in 7 years, and it affects scores of small businesses, little people who have worked on this thing for years trying to show that they come under this act.

Secretary Connor himself testified that most of the people in the furniture industry want these controls.

That is, very briefly, gentlemen, my message, and I appreciate the opportunity to appear before you.

Mr. ASHLEY. We appreciate very much your appearing before this subcommittee, General Day.

Without objection, the full statement of General Day will appear after the remarks he has just concluded.

(The complete statement follows:)

STATEMENT BY J. EDWARD DAY, COUNSEL FOR AMERICAN WALNUT MANUFACTURERS ASSOCIATION

#### THE WALNUT LOG SITUATION

On November 29, 1961, all the major manufacturers of walnut veneer in the United States made application under the Export Control Act for relief from excessive drain of the diminishing supply of walnut logs and the resulting inflation in prices.

At a hearing before the Department of Commerce and in subsequent supporting submissions over a period of 2½ years, the veneer manufacturers showed conclusively that the statutory requirements for relief under the statute were met. Black walnut grows only in North America and the best quality growth is in the eight Central States. The applicants showed that because of heavy demand for this precious, slow-growing wood, particularly for export, the supply would be entirely exhausted in about 7 years.

On February 14, 1964, the Department of Commerce imposed export controls, limiting the export quota to 7.3 million board feet a year and conditioning the continuance of the controls after 1 year on reduction of domestic use.

On February 12, 1965, the Department announced that the controls would not be continued.

#### THE STANDARD USED BY THE DEPARTMENT

In discontinuing controls the Secretary did not deny that the conditions specified in the act were met. In fact, his February 12 statement recognized that consumption in 1964 exceeded growth by "more than 10 million board feet, or approximately two-thirds more than the total amount of new growth."

It also recognized that "the prices our domestic users pay for walnut logs have continued to advance."

Nonetheless the Department refused to apply the act despite the fact each of the required conditions is present.

Instead, the Secretary in his February 12 statement injected into the act various extraneous and additional conditions which are not in the statute.

These were:

1. Supposed effect of controls on aid to the Appalachian program.
2. Alleged need for compliance with a specific target of domestic conservation.
3. Supposed effect on balance-of-payments problem.
4. Alleged feasibility of shifting to other woods.
5. Alleged requirements of GATT.
6. Detriment to log growers and exporters.
7. Failure of controls as a "domestic price control measure."
8. Lack of danger of "extinction" of walnut.

That is a clear error of law. It is the duty of the Department to apply the law as written and not to rewrite it. The U.S. Supreme Court long ago laid down the rule that when Congress has specified standards as to when a law should be applicable, an executive department may not substitute different standards of its own (*Merritt v. Welsh*, 104 U.S. 694).

The Secretary's February 12 order says that reduced domestic consumption of walnut is a necessary condition to export controls even aside from GATT. But there is nothing in the Export Control Act about domestic conservation. The Department of Commerce is not a conservation department nor is it the Forest Service. Secretary Connor in his February 26 letter to Senator Hartke says authority such as that possessed by the Office of Price Control or the War Production Board would be necessary to accomplish necessary domestic controls. This is a legally untenable position. There is nothing in the Export Control Act which even hints at requiring domestic controls in a proven short supply situation.

#### PAST USE OF THE ACT

During the period after passage of the act, and particularly during the Korean emergency, hundreds of items were placed under export controls. These included such nonstrategic items as rayon, woodpulp, hog bristles, and rice.

Since the Korean emergency, the following items have been subjected to short supply export controls:

Commodity:	Time period
Gamma globulin.....	July 9, 1953, to Dec. 22, 1955.
Mercury.....	June 5, 1954, to 4th quarter, 1955.
Polio (Salk) vaccine.....	Apr. 13, 1955, to Nov. 10, 1958.
Rerolling, relying, and used steel rails.....	4th quarter, 1956, to 4th quarter, 1958.
Influenza vaccine (Far East Asian)....	Aug. 15, 1957, to Apr. 2, 1958.
Beet and cane sugar.....	June 27, 1963, to Oct. 15, 1964.
Walnut logs, bolts, and hewn timber....	Feb. 14, 1964, to Feb. 13, 1965.

There was, of course, no danger of immediate or permanent disappearance of the supply, for example, of used steel rails. However, there was abnormally heavy export demand and the Department of Commerce quite properly imposed short supply controls.

In the case of sugar, there was not even any appreciable amount of exports. However, the Department of Commerce thought there might be an abnormal drain from exports and the short supply controls were imposed.

#### STANDARD IN THE ACT

The act specified two tests for determining when the short supply provisions of the act are to be applied. These are as follows:

1. "excessive drain of scarce materials"; and
2. "inflationary impact of abnormal foreign demand."

The act does not say the Secretary of Commerce "is authorized" to impose the short supply controls when these conditions are met. It says, "The Congress declares it is the *policy* of the United States to use export controls" when the conditions are met. [Emphasis added.]

#### NONSTRATEGIC ASPECT

In his February 26, 1965, letter to Senator Hartke about this subject, Secretary Connor said:

"Our export control laws are today maintained primarily to regulate trade in strategic materials."

In the Department's February 12 release discontinuing export controls, walnut was referred to as a "nonstrategic item."

In 1962, Congress passed a bill continuing the Export Control Act in force. At that time the Senate Committee on Banking and Currency said in its report on the bill:

"The act is not limited to strategic materials or to critical material or to essential commodities. It will support a total embargo or the mildest of restrictions. The requirements of foreign policy, national security, and domestic shortages are the only tests."

It is thus perfectly clear that the short supply provision of the Export Control Act applies to nonstrategic materials.

#### PROPOSED AWMA AMENDMENT

The American Walnut Manufacturers Association urges adoption of the following amendment to the Export Control Act:

"SEC. 2. Section 3 of the Export Control Act of 1949, as amended, is amended by adding at the end thereof the following subsection (d):

"(d) The authority conferred by this section shall be exercised with respect to any materials or commodities which are in short supply or in danger of becoming in short supply (i) in all cases where it is determined by the President that there is excessive drain and inflationary impact due, to a substantial degree, to abnormal foreign demand, (ii) without consideration of other policies or standards not set forth in this Act, and (iii) without regard to whether such materials or commodities are essential or critical or have significance to the national security. In addition, the standards set forth in this Act shall in any case be deemed to be met and the authority conferred by this section shall be exercised whenever (i) exports of such materials or commodities by volume, as shown by the latest government figures or reasonable estimates, are at least five times greater on an annual basis than they were in 1955 and (ii) a substantial number of other nations impose government controls or embargoes on exports, either in processed or unprocessed form, of such materials or commodities or of materials or commodities reasonably comparable thereto."

## PURPOSES OF AMENDMENT

The purposes of this amendment are as follows :

1. To make it even more clear that short supply controls should be imposed when the conditions set out in the act are met and without consideration of extraneous conditions not set out in the act.
2. To provide that the act is applicable not only where the materials are in immediate short supply or in danger of extinction, but also where they are in danger of becoming in short supply.
3. To provide that the act is applicable where the excessive drain and inflationary impact are due to a substantial degree to abnormal foreign demand.
4. To make it even more clear that the short-supply provisions of the act are properly applicable to nonstrategic materials.
5. To specify that the standards for short-supply controls are met where there has been a rapid increase in exports and other nations have imposed controls on exports of the material.

The proposed amendment should aid in correcting the seemingly rigid and unsympathetic attitude of some Department of Commerce officials toward the short-supply provisions of the act. It would, in effect, direct the Secretary not to concern himself with whether he approves of the congressional policy set out in the short-supply provisions of the Export Control Act but to confine himself to seeing if the clear conditions set out in that act are met.

## THE GATT SITUATION

The Department of Commerce has seriously misconstrued the bearing here of GATT, the General Agreement on Tariffs and Trade.

The Department of Commerce has reported that 21 countries which are contracting parties to GATT have in effect embargoes or controls of exports of valuable hardwoods (Congressional Record, Feb. 18, 1965, p. 3105).

One subsection of article XX of the GATT agreement, subsection (g), provides that any restrictions on international trade in an exhaustible natural resource should be made effective only in conjunction with restrictions on domestic production or consumption. That subsection has in fact been fully and completely complied with here by the shift, pursuant to urging of the Department, to cutting thinner veneer. On June 24, 1964, the Department issued a release headed "Department Urges Use of 1/36-Inch Walnut Veneer." Prior to this release a high Commerce Department official encouraged the veneer manufacturers to compromise on 1/32-inch veneer, but the manufacturers, despite objections from their customers, adhered to the 1/36-inch thickness in order to carry out their part of the agreement with Secretary Hodges. The Department admits there has, in fact, been a shift to thinner veneer.

But subsection (g) is only one of a number of subsections of article XX. In addition, and this has been completely ignored by the Department's written decision, there is another separate, completely independent subsection of article XX of GATT which permits export controls on short-supply items without any restrictions of any type on domestic production or consumption.

This subsection, which is (j) is as follows:

"\* \* \* nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

\* \* \* \* \*

"essential to the acquisition or distribution of products in general or local short supply; provided that any such measures shall be consistent with the principle that all contracting parties are entitled to an equitable share of the international supply of such products, and that any such measures which are inconsistent with the other provisions of this Agreement shall be discontinued as soon as the conditions giving rise to them have ceased to exist. The organization shall review the need for this subparagraph not later than 30 June 1965."

This subsection was reviewed and retained for 5 more years by action of the contracting parties to GATT at Geneva on March 15, 1965.

This subsection is entirely separate from the provision in subsection (g) and stands on its own feet. The GATT organization has its own authority and procedure for interpreting and enforcing provisions of the GATT agreement.

If GATT, which is only an executive agreement and not a treaty, presents any problem here, and it does not, the GATT organization can be asked for an interpretation instead of stretching GATT to, in effect, repeal a vital part of an act of Congress.

The Department's insistence here on a strictly limited and impossible domestic quota is not justified to any degree by the provisions of GATT. This has been recognized by the Department in the past. There was no domestic control imposed in connection with the recently expired export controls on sugar. We cannot find where GATT requirements have even been mentioned by the Department of Commerce during the entire period since the Export Control Act was enacted when it has imposed short supply export controls on scores of items. GATT dates from 1947 before the Export Control Act became law. This sudden extreme and unrealistic reliance on GATT to defeat export controls in the walnut situation is but the leading example of many examples of the Department looking for excuses for not applying the Export Control Act short supply provisions to this clear-cut case.

#### CONCLUSION

From my year and a half of close association with this problem I have observed that some Department officials have shown a decidedly rigid and unsympathetic attitude toward the short supply provisions of the Export Control Act. They have shown a definite tendency to look for excuses for not applying these provisions.

Various ones of these officials have also shown open dislike for formal hearings and lawyerlike proceedings in pursuing this complex matter. Early this year the Department has even refused a hearing on our urgent request to reinstitute controls. This attitude is particularly unfortunate since proceedings under the Export Control Act are by law exempt from the Administrative Procedure Act. But the fact our chances for court appeal are restricted should not give the Department license to ignore the clear applicability of the Export Control Act, to inject without warning the requirement that the commodity be strategic, and to graft imaginary requirements onto GATT. Even though the Administrative Procedure Act is for some reason not made available here, we should as a matter of minimum fairness have been allowed to be heard in a Department hearing before the references to the nonstrategic aspect were unexpectedly and unjustifiably interjected here; before irrelevant references to Appalachia were interjected; before completely inaccurate references to balance of payments were interjected; before completely unrealistic references to shifting to other woods were interjected. On each of these points there was no warning and no chance for rebuttal.

This issue is of vital interest to scores of small businesses. Secretary Connor himself has stated that most of the people in the furniture industry favor export controls on walnut logs.

Secretary Connor has said that the more appropriate forum for a hearing on this subject is before a congressional committee because the Department of Commerce is not equipped to conduct the necessary hearing.

It is hard to imagine a factual situation to which the intent of short supply provisions of the Export Control Act are more clearly met. We, therefore, request adoption of an amendment which will correct the Department's misinterpretation of the act.

Mr. ASHLEY. Mr. Halpern?

Mr. HALPERN. I have no questions, Mr. Chairman. I do wish to commend General Day for giving a very interesting and, I believe, a very convincing statement.

Mr. DAY. Thank you, Mr. Halpern.

Mr. ASHLEY. General, the position of the Department of Commerce, as set forth in the testimony of Secretary Connor before the Senate Committee on Commerce on March 31 of 1965, appears to be that there should be an equitable sharing of the burden of conservation as between sectors of American business; namely, of course, between our domestic users and our exporters. He indicated that there was a rather considerable discrepancy in the treatment of the export sector and presumably, this was what he sought to cure by the action which was taken.

What would be your comment on that?

Mr. DAY. That reference to the equitable treatment is picked up from a subsection of article 20 of the GATT Agreement. We believe that the Department of Commerce and the Department of State have completely misinterpreted that subsection (j). That subsection is set out in my statement.

It seems to us very clear that the reference to equitable treatment means that we must be equitable as among other countries to which exports are going, that we could not, for example, have export control and say, "We will not send any walnut any place except to Germany, or we cannot send any walnut any place except to England." That is all that means.

Mr. ASHLEY. I know, too, what it says, but he does not cite GATT as the basis for his action. He does not use that as the touchstone for the conservation measures which he feels should be equitable as between the import and export sectors of our American business. What he seems to be talking about, as I get it, is simply the problem of conservation of walnut which is being used in substantially greater volume than it is being grown.

Mr. DAY. That is correct.

Well, to answer to that, Mr. Chairman. One, no such point has ever been made so far as we can determine by careful research in export controls on any other item previously. There was never any reference in connection with sugar, in connection with used steel rails, in connection with hog bristles, in connection with all kinds of other things, that there had to be some kind of a domestic conservation program.

Now, the domestic conservation program is fine and we agree with it. What we did was go the limit as far as what the industry could do voluntarily. American walnut veneer had always previously been cut at one twenty-eighth of an inch. We went to one thirty-sixth of an inch, even though it was hard to sell to some of the customers of the industry. That was the very maximum that could be done within the law because of antitrust reasons. We obviously could not get together and limit the use and limit the supply.

So after a year of us having gone along with this thinner thickness, with great turmoil and change of our techniques and so on, the Department of Commerce said, "Well, you have not saved enough, domestically". There is nothing in the Export Control Act about domestic conservation. It is very clear that if an item is in short supply and there is an abnormal export drain and it is causing an inflationary impact on that product, the law fits. All these other things have been dragged into the act by the Department, and if it were not for the particular way this act is drafted, I think we would have an excellent case in court.

But this act specifies that the Administrative Procedure Act is not applicable, and we do not have any record. Because most of this has been by informal negotiations. We do not have a hearing record of the Department of Commerce even talking about most of these points.

So the reference to equitable, I think, is completely taken care of by the fact that the amount to be allowed for export is seven times what it was in 1955, and all of the normal exporters of walnut had plenty of walnut to export under this very large quota.

Mr. ASHLEY. According to his testimony, and speaking of the severity of this, he states that exports were cut back by 51 percent by the con-

trol in 1963 figures while domestic consumption dropped by only 21 percent in 1963-64.

Mr. DAY. Domestic consumption has only gone up about 300 percent during the time that exports have gone up about 1,600 percent, so there was not the same play in there to make the reduction. But we did achieve a reduction of an estimated 5 million board feet per year by the measures that we took. We shifted to the one thirty-sixth of an inch veneer and, unbelievable as it sounds, a few months later, the Department of Commerce suggested through one of their high officials that we ought to ease that up and go to a thicker veneer of one thirty-second.

Well, we felt that the agreement and the arrangement as set out in the export control order was we should make the greatest reduction in thickness we could. We stayed to the one thirty-sixth, and lo and behold, come February of this year, they said we did not make a big enough reduction, even though they had invited us to increase our thickness.

Mr. ASHLEY. As a lately distinguished administrator, General, what would be your thought about the notion that decisions of this kind should apparently be made as a part of the discretionary authority of the Secretary of Commerce?

Mr. DAY. Well, Mr. Chairman, I am very glad you asked that, because I think that where a statute sets out the standards and those standards have been specified by Congress, normally if a department exercises discretion on the basis of entirely different standards that are nowhere in that act, you have a clear right to go to court and get the department reversed. Because I do not think it is the position of any department to rewrite the law and say they do not like the standards that Congress put in there, so they have a whole new bunch of standards that they never gave the industry a chance to even comment on or talk about. A lot of these things that they brought into their statement in support of taking off the controls, we haven't even heard them mentioned before.

They said, for example, "Well, it is going to be easy to shift to other woods." That was a perfectly ridiculous statement because walnut is overwhelmingly the most popular furniture wood. If we send it all over for people in other countries to put onto their furniture, it is going to have a very adverse effect on balance of payments.

So a lot of our difficulty here is because we do not have any practical means of going to court to test the basic question of whether the Department can ignore the standards in the act and bring in some new standards that are not in there at all, that we never heard of.

Mr. ASHLEY. Of course the Congress, in enacting the Export Control Act, did vest authority with the Secretary of Commerce to make determinations as to short supply, which was one of the three principal areas in which the act is directed. I cannot help but be sympathetic on the basis of your very persuasive testimony to the situation of those whom you represent.

On the other hand, I cannot help but foresee that consideration to enactment of amendments such as you bring before us would tend to set a precedent whereby the Congress would be the court of last resort, and perhaps it should be, for industries that have been adversely affect-

ed by the authority exercised by the Secretary of Commerce pursuant to the mandate of Congress.

Mr. DAY. If this were a completely discretionary power such as a statement that it should be done on convenience and necessity, or one of these generalized statutory areas of discretion, it would be different. But this is one where there are two tests set out. They are both met, there is no doubt about them being met. There is nothing in this statute about Appalachia. We are all for Appalachia, but why they drag that in here, it is completely improper.

I am sure if we could take this thing to court, it would be reversed. So we have no place to come except you gentlemen. We have been working on this—our law firm that I am now back with have been representing this association for many years, and I followed this thing for a year and a half. I found a strange feeling in the people in the Department of Commerce that they do not like this short supply provision in the Export Control Act, that they do not like hearings. One of them said to me that he doesn't want to have a lot of hearings with a lot of court reporters and lawyers and so on.

Well, how are we going to tell our story? Every time we come up with an answer to something, they have a new reason that nobody ever heard of as to why they should not apply this law.

We were told that the commercial standards which are administered by the Department of Commerce were going to be changed. That was right in their order of February 1964, commercial standards were going to be changed so that one thirty-sixth inch should be the new standard. It was never changed. That is something within the jurisdiction of the Department of Commerce.

It is really very mysterious to me why they are so anxious to keep from applying the clear provisions of this law, except for the fact, and I am sure that is what is behind it, this basic State Department feeling that we might hurt the feelings of somebody in some other country. But nobody in any other country has complained. I have checked that out very carefully.

Mr. ASHLEY. The principal objection seems to come from the Department of Commerce, at least insofar as this subcommittee has been able to determine.

I am interested—this is my final question—in the extent to which your association has been given an opportunity to be heard. I would certainly think that if Congress is going to delegate authority which is meant to be exercised pursuant to certain rules and regulations and standards, the affected industries should certainly be given an opportunity, not as a matter of grace, but as a matter of right, to come in and present their story and their figures. So I would like your comment, General, on just what your experience has been.

Mr. DAY. We have not had a hearing on these points that have been raised most recently by the Department. During two and a half years previous to February 1964, there were many meetings with the Department of an informal nature, negotiations, furnishing applications, amendments to applications, supplemental material, and so on. And as a result of all that the Department did impose the controls. They put in this domestic limitation or goal and they put in the export quota.

Now, we hoped and expected that this would be a continuing program because the problem was getting worse all the time. But there was a complete change of point of view when the new Secretary came in. This was one of his first acts, to wipe this thing out.

We immediately asked for a hearing, and it was denied to us twice. We have not had 1 minute of hearing over there at the Department on discontinuance of controls. A number of Members of Congress tried to get a hearing, were unable to get the Department to give one, and Senator Hartke expressed considerable annoyance at the fact that his committee had to conduct the hearing.

And when he said that to Secretary Connor, Secretary Connor said:

You are the better place to conduct a hearing. We are not set up to conduct a hearing of this kind.

Now, I do not understand that. They have rooms and they have court reporters, and they have a place where people can come and both sides can be heard, and if they want to say, "You can shift to other types of wood," we have all kinds of witnesses that can prove that is ridiculous. But we never heard the point until Secretary Connor's announcement came out.

Mr. ASHLEY. Mr. Mize?

Mr. MIZE. No questions.

Mr. ASHLEY. Mr. St Germain?

Mr. ST GERMAIN. How do the growers feel about this?

Mr. DAY. Walnut is unusual in this respect. They are divided. Walnut is not grown in large groves, because it requires open areas, lots of light, and it usually grows around in farm lots. Usually a farmer will have a few trees on his farm lot. Most of them take the viewpoint of "kill the goose that laid the golden egg," cut down the trees right now wherever they go.

But they are a very small part of the commercial aspect of this. The farmer gets his trees that have been growing there on his farm lot for 60 or 80 years, he gets them cut down, and he gets something for a one-shot thing.

Mr. ST GERMAIN (presiding). In a word, what you are saying is that there are no professional growers?

Mr. DAY. Practically none.

Mr. ST GERMAIN. As a result, the manufacturers sort of control the price that they are going to pay?

Mr. DAY. Well, it is a highly competitive price situation, because there is a very large amount of export and was under the quota, and there is a great deal of price competition among the veneer cutters, because there are enormous differences in quality. They probably would shop around to 50 different trees before they would find them of the quality that would produce veneer such as you see on these panels in this room.

Mr. ST GERMAIN. Tell me, how many manufacturers do you represent in submitting this statement?

Mr. DAY. We represent all of the domestic manufacturers, which are about 20.

Mr. ST GERMAIN. I would imagine they are engaged in the manufacture and processing of other woods than walnut. Is this not a fact?

Mr. DAY. Most of them are, yes, but walnut is a big item with all of them.

Mr. ST GERMAIN. What I am getting to is the fact that, say 7 years from now, if we are out of walnut, will people employed in these plants continue to work on other woods?

Mr. DAY. If I had several hours and could produce some of the experts, that is a surprising point. It would seem that way but, actually, walnut is much easier to work than other woods. It requires much less finishing and polishing to make it into furniture quality, and we have statements from a number of small furniture concerns that, if they did not have walnut to process, they would not be able to stay in business because it is so much harder and requires so much more elaborate machinery to do a proper job.

Mr. ST GERMAIN. It probably would require more employees?

Mr. DAY. These are smaller concerns. The furniture industry is rather unusual in the respect that it still has hundreds of very small concerns that are able to compete with the giants. The furniture industry is overwhelmingly in favor of trying to save the walnut.

Mr. ST GERMAIN. For domestic use?

Mr. DAY. Yes.

Mr. ST GERMAIN. Because the profit is better?

Mr. DAY. Yes.

Mr. ST GERMAIN. Now, the Export Control Act. I think the purpose of this is to conserve items that are important to our economic, domestic economic well-being. I would imagine it is also important to our defense setup and what-have-you. I am wondering, it seems to me that walnut, from your testimony, is so expensive that it is a luxury item, so to speak.

Mr. DAY. No; the walnut veneer is such a small part of the total value in a piece of furniture that it has very little to do with adding to its cost. It has gotten so thin that it is almost like a paint on the outside of it. But it makes furniture more desirable and more salable.

But the cost of the veneer in a piece of furniture is not more than 2 percent of the total retail price of that piece of furniture.

Mr. ST GERMAIN. Nevertheless, as you say, it makes it more attractive?

Mr. DAY. Yes.

Mr. ST GERMAIN. And therefore, I think you would essentially classify it more as a luxury item than a necessity of life?

Mr. DAY. That is true, but there is nothing in the act which says that in order for the short-supply provision to apply, it must be a strategic or an essential item. That has been covered in previous reports of the committees in acting on previous extensions of this law. There is a separate provision for strategic items.

Mr. ST GERMAIN. As a concluding question, I personally, as a member of the subcommittee, would like to be convinced of the necessity for such an amendment for public conservation of this walnut and, to be very frank with you, I have not heard anything to this point that convinces me it is necessary for us to amend the act in order to conserve walnut. I think it is very attractive, very beautiful, and so forth, but if it were to have an adverse effect on our economy, on our business, if it means the loss of the jobs if we run out of walnut, that, to me, would be important.

Mr. DAY. If we were asking that an Export Control Act be enacted, then I think that that type of question would be very important, as to whether we prove enough social need for having such a law on the books. But the law is on the books. It is to be continued, so far as we

understand, and we have tried very hard through normal channels to get the law applied as it reads.

I do not think that a department should be able to completely ignore what a law says just because they may have some other preferences. I think the policy has already been set by the fact that a law has been enacted, and we fit clearly under the words that set out that policy.

Mr. ASHLEY (presiding). Mr. Gettys?

Mr. GETTYS. I have no questions, Mr. Chairman, except one which I would not think pertinent or germane.

General Day, I wondered, what is your position on the restoration of the twice-a-day mail delivery to residential areas?

Mr. DAY. I think it would be a good idea if there were enough money to do it.

Mr. ASHLEY. Mr. Cabell?

Mr. CABELL. No questions, but I would like to acknowledge one of my constituents, even though he is not a taxpaying or voting constituent; I am glad to have him here.

Mr. ASHLEY. General Day, the committee appreciates very much your testimony. We are most obliged to you for the time that you have given us and for being so patient. We are sorry that the previous witnesses, who contributed much to our hearings, did take time which required that you delay your presentation.

Mr. DAY. Thank you, sir.

Mr. ASHLEY. If there are no further questions, the subcommittee will stand in recess until 1:30, at which time we shall go into executive session.

(The following information was submitted for the record:)

CHICAGO, ILL., May 20, 1965.

CHAIRMAN, SUBCOMMITTEE FOR INTERNATIONAL FINANCE,  
Rayburn Building, Washington, D.C.:

Hope for favorable action from you and your committee in reporting out the pending bill for foreign aid.

Rabbi BENZION C. KAGANOFF,  
President...

Rabbi MORDECAI SIMON,  
Executive Director, Chicago Board of Rabbis.

CHICAGO, ILL., May 20, 1965.

CHAIRMAN, SUBCOMMITTEE FOR INTERNATIONAL TRADE,  
Rayburn Building, Washington, D.C.:

On behalf of my colleagues and the chairman of our board of directors, Mr. George D. Sax, we would strongly urge that you and the members of your Committee for International Finances report favorably the bill pending before your committee relative to foreign aid. We feel that it helps not only the betterment of underprivileged countries, but also the citizens of the United States in their export of our products to these areas in that way improving our deficit of gold reserves.

MILTON J. SILBERMAN,  
Vice President, the Exchange National Bank of Chicago.

GREAT PLAINS WHEAT, INC.,  
Garden City, Kans., May 21, 1965.

HON. WRIGHT PATMAN,  
Chairman, Banking and Currency Committee,  
House of Representatives,  
Washington, D.C.

DEAR MR. PATMAN: In connection with the extension of the Export Control Act of 1949, H.R. 7105, presently before your committee, we respectfully recom-

mend that a clear indication be given by the committee that this law is not be interpreted to include cargo preference shipping requirements in the issuance of export licenses for dollar sales.

The United States has been making vigorous efforts to bring its balance of payments into line. In this connection, it is clearly in the interest of the United States to expand hard currency export sales of farm commodities, particularly those in surplus supply. Increased exports offer the most promising solution to problems associated with our excess capacity to produce basic farm commodities, especially wheat.

Nevertheless, we are failing to take advantage of large opportunities in this field. In the fall of 1963, wheat sales to the Soviet bloc were declared "in the national interest." However, such sales were partially blocked by requirement that 50 percent of the cargo be carried in vessels under U.S. flag, despite the fact that rates for U.S.-flag vessels are much higher than those of other shipping nations. This shipping requirement was attached to the issuance of special licenses by the Office of Export Control of the U.S. Department of Commerce. Such a requirement had never before been attached to a strictly commercial export transaction.

Only through extraordinary efforts was it possible to export about 75 million bushels to Russia and other East European nations—far short of the planned purchase of 150 million bushels.

Thus, while wheat exports to the Soviet bloc have been declared "in the national interest," there is real doubt as to whether we are, in fact, implementing this policy. If we are not fully competitive on price, including shipping costs, then it is quite obvious that we still lack a resolute purpose in carrying out stated policy.

In the last several months, the Soviet Union has again purchased substantial quantities of wheat from Canada, Australia, and France. For example, during the week of February 5, Russia bought 27.5 million bushels of wheat from Australia for \$1.78¾, United States, a bushel, delivered to the Siberian port of Nahadka. At the same time, the Russians could have bought U.S. wheat off our Pacific coast for \$1.75¾, United States, per bushel, delivered to the same port in foreign-flag vessels. Thus, we had a 2¾-cent-per-bushel price advantage if competitive shipping could have been used. The Russians did not, however, buy wheat from the United States because the required use of U.S.-flag shipping drastically increased the price of our wheat delivered to their port. U.S. "tramp" shipping rates on grain cargoes are generally about twice as high as foreign-flag rates.

We believe that Under Secretary of Agriculture Charles S. Murphy correctly assessed the economic results of this shipping requirement in his testimony before the Senate Banking and Currency Committee on March 16. Mr. Murphy said:

"The actual effect of this requirement is \* \* \* not to provide additional business for the U.S. merchant marine \* \* \* but to prevent U.S. longshoremen, U.S. exporters, and U.S. farmers from having employment and earnings that would otherwise accrue. The adverse effect of this one requirement on the U.S. balance of payments might well be in the range of \$100 million a year."

Noncompetitive shipping requirements attached to export licenses are a very serious impediment to our wheat exports, and we hope that you and your committee can assist in their removal. This requirement is yielding the U.S. merchant marine precisely 50 percent of nothing, since it will block all commercial sales to which it is attached.

We want to make it abundantly clear that we are interested in the maintenance of a substantial merchant fleet. We realize that this cannot be done without the use of subsidies or their equivalent. Our point is that cargo preference is not the way to afford this assistance.

Sincerely yours,

HOWARD W. HARDY, *President.*

(Whereupon, at 1:10 p.m, the subcommittee recessed to resume in executive session at 1:30 p.m., the same day.)